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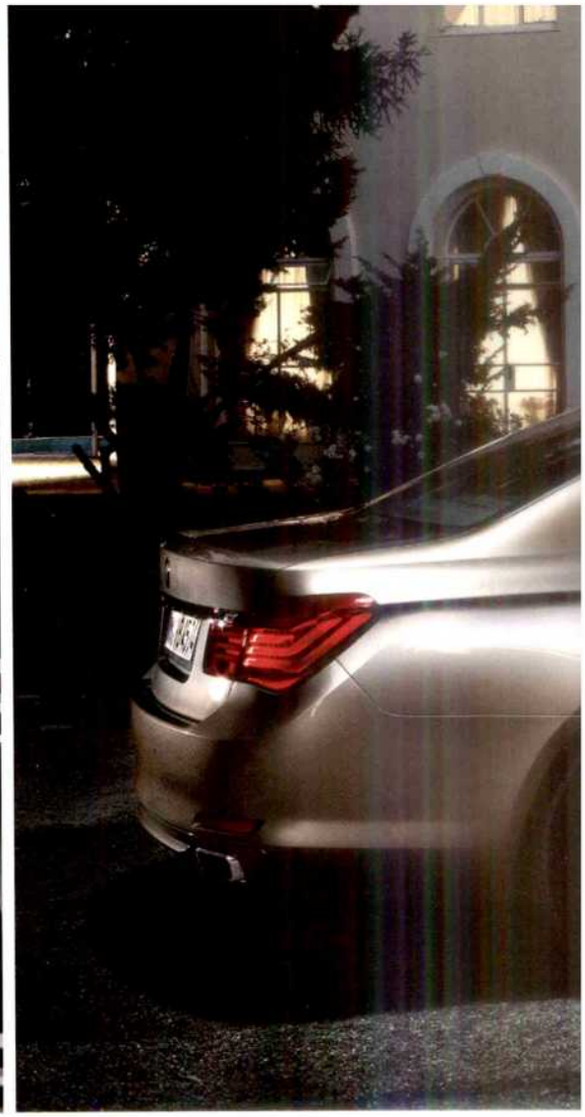

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From the Editor

Some things were on a fast track as the heat dragged us into the dog days of June, and some were on a slow track. A hirsute man in ochre raiment was about to stop eating, and since we at *BT* chronicle business it is relevant to note that Ramdev's Patanjali Yoga Peeth trust now controls a $40 million empire, including an island off Scotland, a university, three TV channels, a 'food park' and a 6,000-person yoga camp at Haridwar. On June 1 the Baba flew down in a chartered jet to New Delhi to hold airport talks with senior government officials led by the Finance Minister. About 69 years ago, Mahatma Gandhi wrote in *Harijan* that fasting had not been widely accepted as a form of *satyagraha*. "It has only been tolerated by the politicians. I have, however, been driven to the conclusion that fasting unto death is an integral part of *satyagraha* programme, and it is the greatest and most effective weapon in its armoury under given circumstances." Ramdev's "fast unto death" against corruption and black money, as we go to press, is being planned like a military operation, attended by huge logistics at Delhi's Ramlila Grounds – kitchens to feed the lakhs of faithful who will turn up, 600 toilets, 500 taps for washing and drinking water, sniffer dogs, ambulances on standby. Crowds and power and the fast track thereto: all making for an engrossing mix. Black money is certainly worth attacking: Global Financial Integrity (GFI) estimated three years ago that annual illicit financial flows from India in the 2002-2006 period averaged between $22.7 and $27.3 billion. GFI's Dev Kar was quoted as saying earlier this year that assets held abroad represent 72 per cent of India's parallel economy, estimated at $640 billion. The government has asked three economic think-tanks to quantify the black economy by summer 2012. But is the former Ramkishan Yadav from small-town Haryana just a nationalistic *sanyasi* who has tax havens in his cross-hairs? Ramdev has served notice that he will fight the Congress in the 2014 elections. Significantly, no business leader has uttered a word about his fast.

On the slow track, meanwhile, was India's economy. GDP grew by 8.5 per cent in 2010/11, still very good by global standards but lower than expected, and is seen slowing further to eight per cent in 2011/12. There is cause for caution – high oil prices, stubbornly high inflation, and high interest rates – but also cause for optimism, with commodity prices likely to moderate, and inflation seen simmering down by the fourth quarter of 2011. For an expert view on the numbers, read Sonal Varma's column on page 16, and our interview with Morgan Stanley's Jonathan Garner on page 34. We continue to peer into our tea leaves to bring you excellent insight; see our analysis of under-water flotations on page 38, and of the huge overhang of foreign currency convertible bonds (FCCBs) on page 50.

But don't get too hot and sweaty about the economy. Starting on page 64 we run our annual listing of India's coolest start-ups. There's an entrepreneur waiting to get out inside each one of us, but only those who dare, win. We are always on the lookout for great new companies, so don't hesitate to write in to me.

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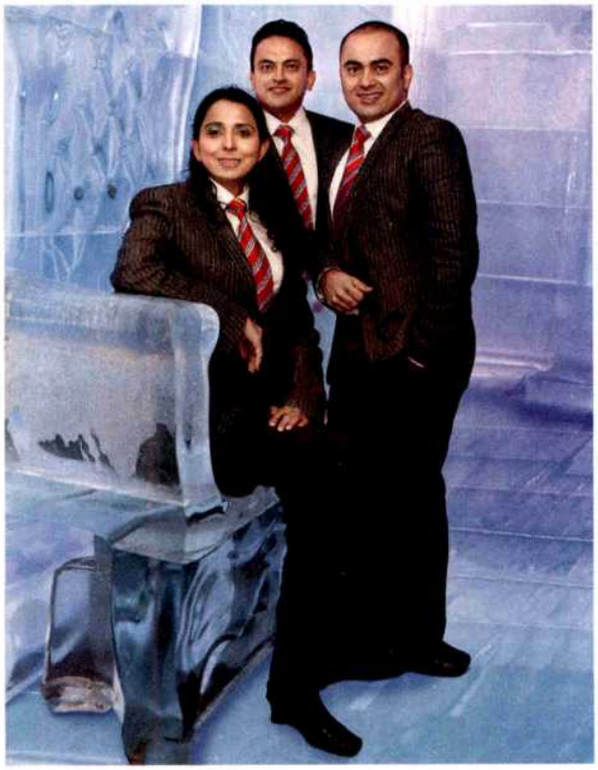

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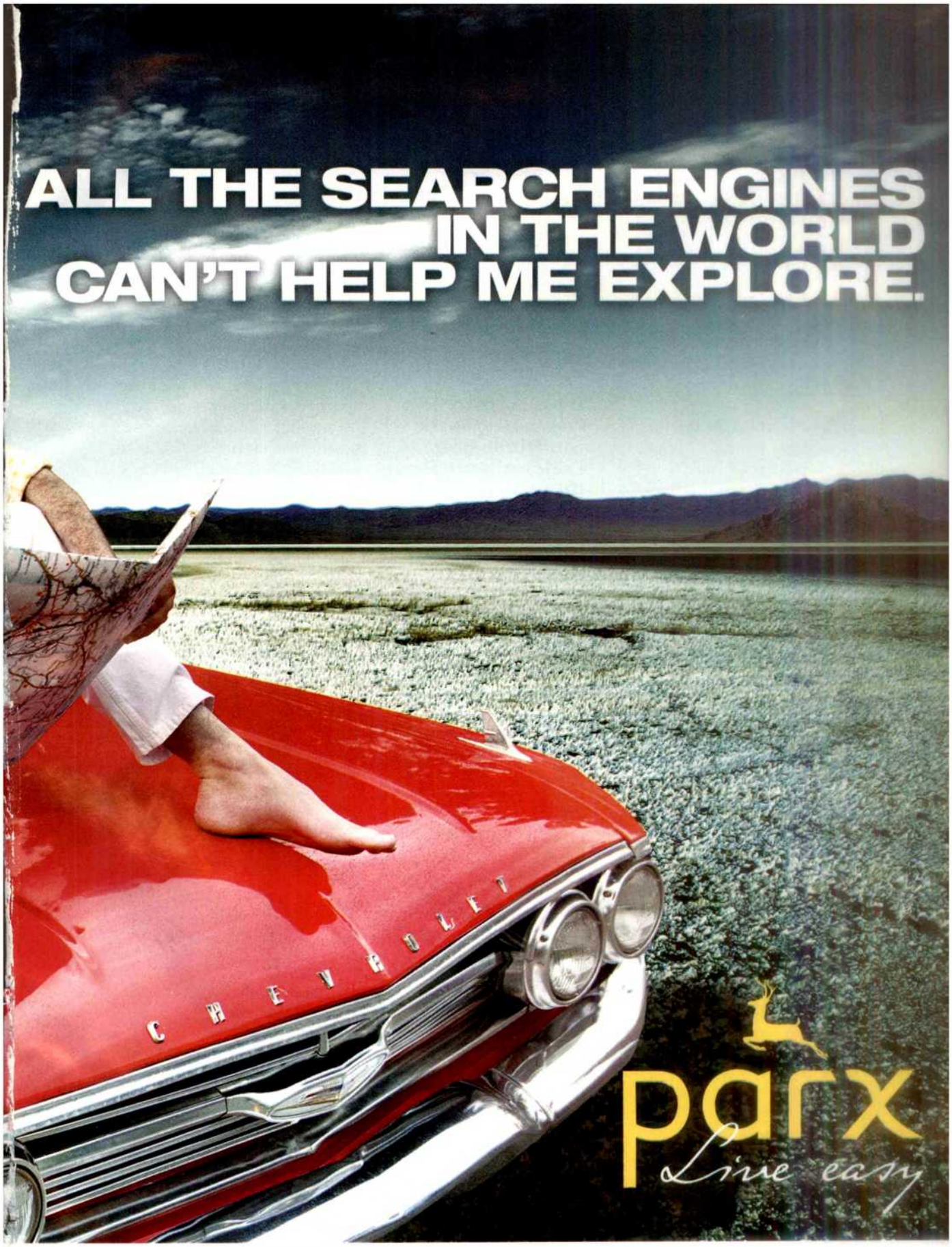

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Back on Track

Every company goes through ups and downs and Hindustan Unilever (cover story, *Soap Opera*, June 12) is no different. What is truly fascinating is the way HUL went about things to get back into the minds of the consumers in villages – yes you read it right, villages – across India. What's more, there was learning, and a lot of it, which helped the once beleaguered FMCG giant get its mojo back for good.

R. Desai, *Mumbai*

Rough Ride Ahead

Having led their parties to victories in the recent assembly polls in West Bengal and Tamil Nadu respectively, Mamata Banerjee and J. Jayalalithaa have an uphill task in front of them (Elections Package, June 12). Banerjee will have to not only bring in funds from the Centre for the development of the state and create a conducive atmosphere for various corporates to set up their shops, but also tackle the Naxalites and Maoists. Jayalalithaa, on the other hand, will have to simply perform and think beyond her rival M. Karunanidhi and revenge.

Bal Govind, *Noida*

A Healthy Employee

There is no doubt that in order to get the best output from your employees, you need to provide them with the best working environment, which includes decent timings (*Tackling Joint Concerns*, June 12). Night shifts play havoc with your health in the long run. Who would have thought a few years ago that arthritis, an ailment of the aged, would also afflict people as young as 40. Companies should seriously consider making yoga or meditation a compulsory exercise for their employees to not only help them de-stress but also increase their output.

Mahesh Kumar, *New Delhi*

What is truly fascinating is the way Hindustan Unilever went about things to get back into the minds of the consumers in villages – yes you read it right, villages – across India

Corrections

In *Eat Pray Love* (June 12), a reference to a Marico product should have been Parachute Advansed Hot Oil, and not Parachute Hot Oil. Adam Gurian (*Keeping Time*, PeopleBusiness, June 12) is President, Timex Group, and not CEO. The name of Kavita Nair, VP, Enterprise Marketing, Vodafone Essar, was misspelt as Kavitha Nair in *India's Hottest Young Executives* (May 15) issue. We regret the errors.

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www.businesstoday.in@coverstory: *Soap Opera* (June 12) on how a bruising decade forced Hindustan Unilever to change its traditional practices

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Politicos on Sale

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Hot Picks?: Statues of Indian leaders made in plaster of Paris, cement and brass are on sale near the Rajiv Gandhi International Airport in Hyderabad. Cost: ₹25,000 to ₹3 lakh

Corporate

The spectrum saga apart, these are difficult times for telecom companies indeed. In the latest episode, Anil Dhirubhai Ambani Group flagship, Reliance Communications, has reported an 86 per cent drop in net profit at ₹168.6 crore for the January-March quarter. This is the second consecutive drop in profits as the firm struggles in a competitive market and deals with net debt of over ₹32,000 crore. Meanwhile, the CBI continues to push ahead with its 2G investigation. A special CBI court sent Cineyug Films's Karim Morani to jail on charges that he acted as a conduit for illegal money transfers. Shares of Sun TV, controlled by the family of DMK's Dayanidhi Maran, shed nearly 28 per cent on a single day after reports that the former telecom minister approved the sale of equity in phone firm Aircel to Maxis of Malaysia. Maxis later invested in a Sun TV unit.

Honda Motorcycles and Scooters India, or HMSI, is revving up its act, just months after exiting its motorbike joint venture with the Hero Group. HMSI wants to set up a third factory in Karnataka that, together with its Manesar, Haryana plant and a new one coming up at Tapukkara, Rajasthan, will take its India capacity to four million units by 2013. Market leader Hero has a capacity of six million and Bajaj Auto five million. That's zippy.

British services and consulting firm Serco Group has acquired Intelenet Global Services, an unlisted business process outsourcing firm in India, for £385 million (around ₹2,864 crore). The deal is a 100 per cent buyout from Blackstone Group, Barclays and HDFC. Is a consolidation wave building up in the Indian BPO business?

Jaguar Land Rover is turning out to be a lucky mascot for Tata Motors. JLR's good showing resulted in Tata Motors posting a four-fold jump in consolidated net profit at ₹9,274 crore in 2010/11. At ₹1.23 trillion (one trillion equals 100,000 crore), consolidated revenues were up 33 per cent. JLR operations buffered Tata Motors's standalone net profit, which fell 19 per cent to ₹1,812 crore. And, to think, just two years ago, the JLR buyout was considered a costly mistake for Tata Motors.

Greenpeace takes on Bharti Airtel for the telecom firm's use of diesel to run mobile towers instead of renewable energy. True, the use of generators as power backups at mobile towers makes the industry the second-biggest consumer of diesel in India after road and rail transport. Still, it looks like Greenpeace will stew for a while since solar panels are not a robust or inexpensive fix.

Talk about incentives. Corporate whistleblowers stand to win multi-million-dollar payouts for reporting financial wrongdoing under a new programme approved by the US securities regulator. Tipsters will be paid between 10 and 30 per cent of sanctions over $1 million for original and useful information.

As succession battles go, this one promises to be in the limelight for some time. Deutsche Bank is in search of a successor to CEO Josef Ackermann whose contract runs until 2013. Jaipur-born Anshu Jain is a favourite of stockholders, but Ackermann seems not hot on his candidature. Jain is head of investment banking, the most profitable business of the German banking giant.

French Finance Minister Christine Lagarde is on a global tour seeking support from all quarters in her bid to replace compatriot Dominique Strauss-Kahn, who quit as IMF Managing Director after being charged for sexual assault. Lagarde's credentials have already won her several backers.

SANTOSH

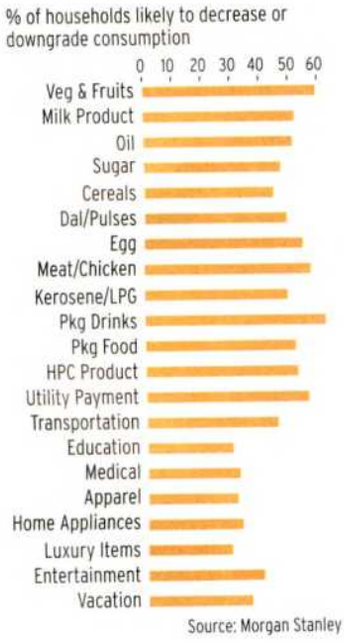
Economy

High inflation is likely to cut into savings of Indian households, as they struggle to maintain spending at last year's levels, according to Morgan Stanley researchers. But, here's the kicker: the research indicates households are likely to cut back on consumption on grocery items but may not reduce consumption of lifestyle category and household amenities. The research is based on a survey of 2008 people representing low, medium and medium-high income groups.

Per capita income of Indians grew by 17.9 per cent to ₹54,835 in 2010/11 from ₹46,492 the previous year. Now we know why consumer demand is steaming ahead despite high levels of inflation. A point for politicians to note.

SLOW DOWN

Fall in staple consumption seen in the next 12 months



Source: Morgan Stanley

300,000

cloud computing jobs are coming to India. Or, so predicts Microsoft CEO Steve Ballmer. This is cheering news for India's 1,300 independent software vendors, some two million programmers, and 11,000 integrators.

20,000

India wants to raise its nuclear power generation capacity to 20,000 MW by 2020. In contrast, Germany, whose Chancellor Angela Merkel was in India recently, plans to phase out all its nuclear power plants by 2022.

4.7%

India's fiscal deficit as a percentage of gross domestic product in 2010/11. This is lower than the revised estimate of 5.1 per cent – small comfort for the Union government fighting inflation. The deficit stood at ₹3.69 trillion.

Markets

The Securities and Exchange Board of India has begun a probe into the possible use of fake bids for artificially pushing up the subscription levels in numerous initial public offerings, or IPOs, over past few years. Many of these IPOs are languishing today: See *All Fall Down*, page 38.

Action heats up in the second rung among US tech stocks. International Business Machines, or IBM, has edged past Microsoft in market value for the first time since April 1996. Microsoft is now the third-largest US tech company by market value, after Apple and IBM. The last decade, in particular, has been brutal for Microsoft investors. An investment of $100,000 in Microsoft stock 10 years ago would now be worth $69,000; its value in IBM stock $143,000.

Debt securities are in vogue. Indian companies have raised $15.7 billion through 81 deals so far this year through such securities. Vedanta Resources was ahead with a $1.7-billion bond issue.

Coming Up

- Oil India, India's second-largest oil exploration company, is likely to come up with follow on public offer this financial year. An initial share sale by the company in September 2009 had raked in ₹4,900 crore.

- The Central Board of Direct Taxes will set up a criminal investigation directorate, paving the way for the income-tax department to probe cases involving tax evasion arising out of criminal activities. High-profile probes such as the Hasan Ali case can now be effectively investigated.

PARESH NATH

FOCUS

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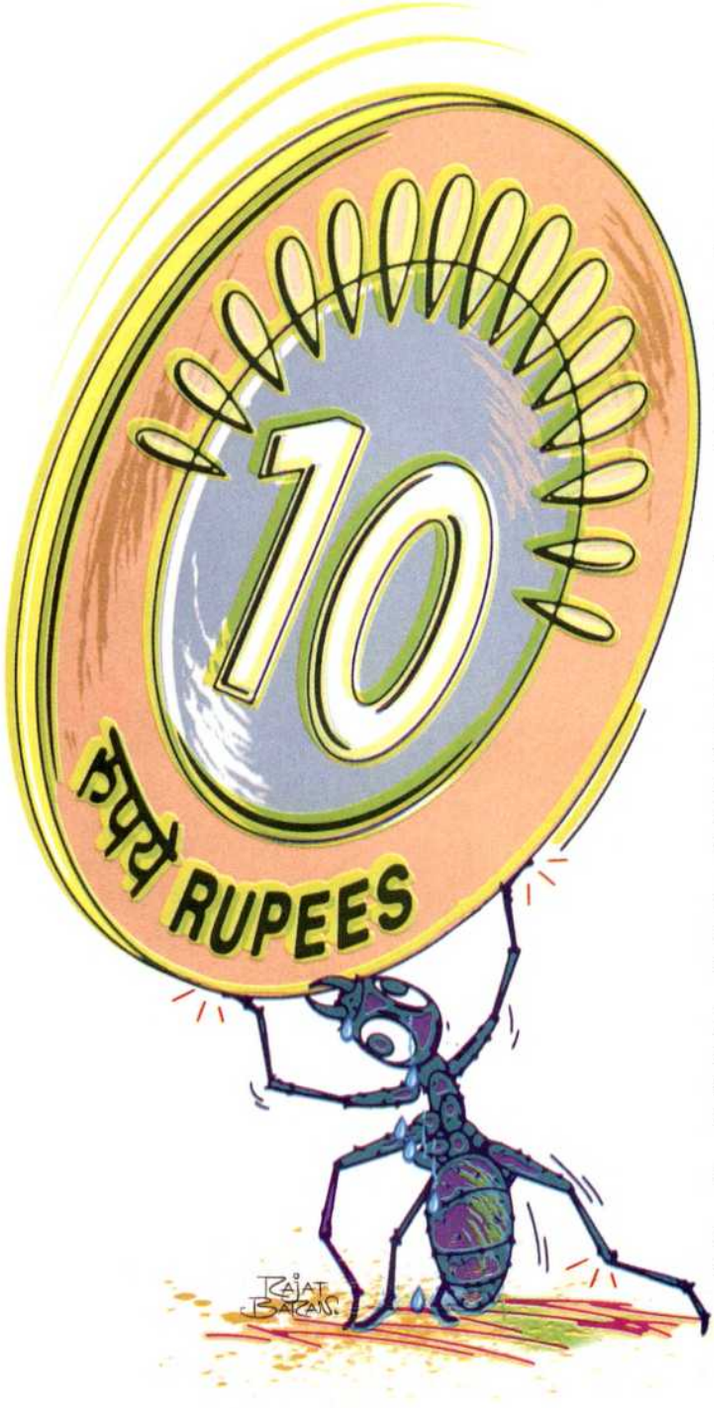

Worst Is Yet to Come

The rate of GDP growth will slow down further to eight per cent in the current financial year, says Sonal Varma

First, the bad news. After four consecutive quarters of above-trend growth, India's real gross domestic product, or GDP, growth moderated to 7.8 per cent year-on-year, or Y-o-Y, in January-March 2011, down from 8.3 per cent in October-December 2010, suggesting that the Indian economy is slowing. A near-halt in fixed investment growth was the primary reason for the slowdown. The lagged effect of the industrial slowdown also appears to be hurting the services sector.

Consumption remains the primary GDP growth driver. Though growth in private consumption moderated to eight per cent Y-o-Y in January-March 2011, it remains robust due to growth in disposable income.

However, the good news: strong global demand has helped exports growth outpace that of imports. Net exports have become a key driver of growth. Private consumption and exports together contributed 84 per cent of GDP growth in January-March 2011.

One of the reasons why inflation has remained high is that the consumption-investment gap is widening.

Many indicators suggest that this slowdown is not over. High inflation, rising interest rates, rising concerns about global growth and supply-chain disruptions be-

cause of the crises in Japan are likely to continue to weigh on business confidence and economic activity. The lagged effect of weak manufacturing output may also affect demand for trade, financing and other business services. While consumption has been strong so far, rising interest rates may slow discretionary purchases. These factors are likely to result in real GDP growth remaining below eight per cent in the next two quarters.

Encouragingly, there are indications this slowdown may be a temporary soft patch, with a pick-up in growth likely from October-December 2011. Easing supply-chain disruptions, faster government decision-making after the Cabinet reshuffle and easing inflation should eventually result in a pick-up in non-agriculture GDP growth.

Already, there are signs the industrial cycle may be bottoming out. Exports have been growing at around 40 per cent Y-o-Y for over six months and this should benefit production in the fast-growing export sectors such as agricultural goods, chemicals, metals and engineering. Demand for consumer non-durables should remain buoyant due to increased government spending in rural areas and rising rural purchasing power.

Infrastructure sector output growth has inched higher, led by increased activity in the power, steel and petroleum refinery segments, reflecting increased capacity additions. Investment remains sluggish, but this could change. Non-oil import growth and approvals for external commercial borrowing are already picking up and with state elections out of the way, government decision-making and project-awarding activity should incrementally improve. These factors suggest that industrial output growth will rebound, but it is likely to be a sub-par recovery compared to previous ones due to rising finance costs. A pick-up in the industrial cycle will also have a positive effect on demand for services. Trade, transportation, banking and other financial services should improve as the industrial cycle gains traction.

Overall, we expect real GDP growth to slow to eight per cent Y-o-Y in the year ending March 2012, from 8.5 per cent in the previous fiscal year.

The current environment of high growth/high inflation is unsustainable. The fast pace of economic growth over 2004-07 was the fruit of years of reforms. However, even as consumption has risen, India's ability to sustain this potential is limited by capacity constraints. These constraints include labour shortage, the neglected state of infrastructure and restricted supply of other natural resources such as coal and gas. These constraints limit the speed of economy; and unless they are addressed, the rise in consumption demand cannot be sustained as it will trigger higher inflation, resulting in tight monetary policy that will threaten a boom-bust economic cycle. Slower growth now is a preferred alternative to boom-bust cycles, which can result in a substantial loss of economic output in the long run.

The author is Executive Director and India Economist at Nomura Financial Advisory and Securities

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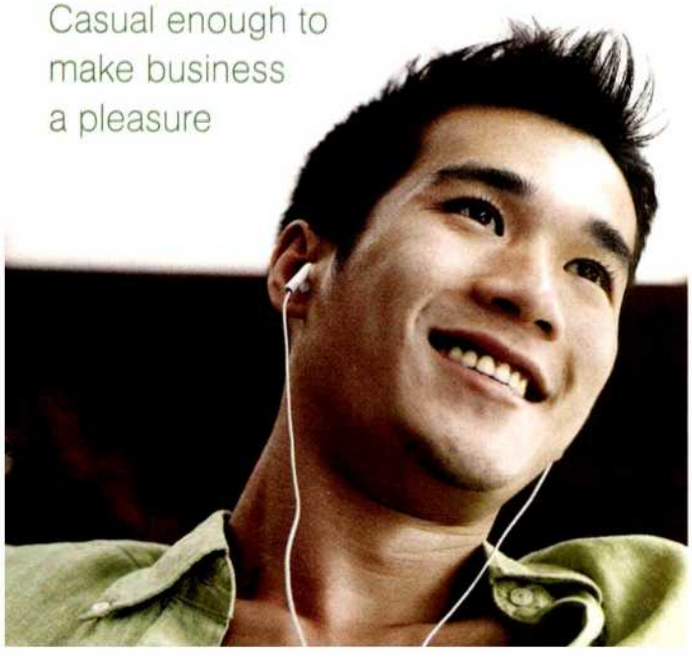

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Labouring Over Reforms

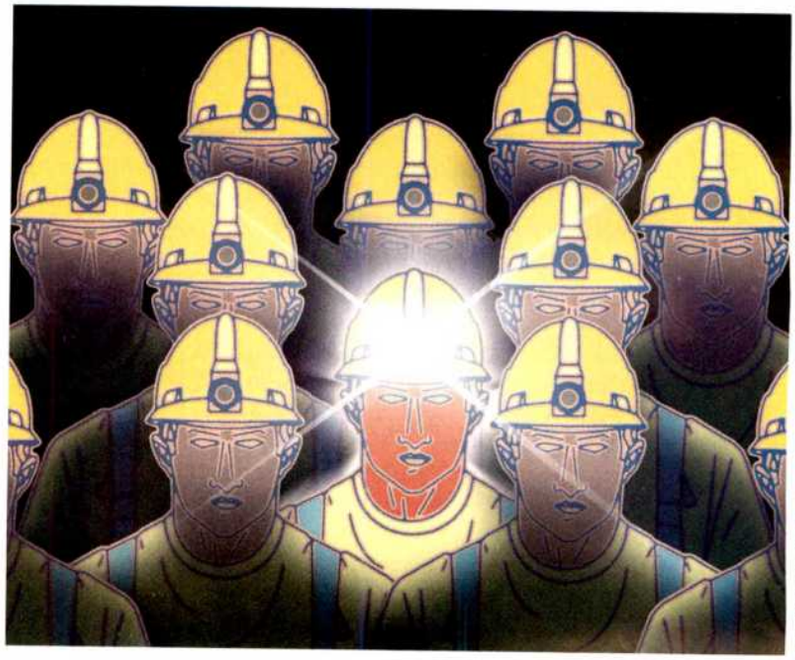
The government takes the first step on the long and tortuous road to labour law reforms. By SHWETA PUNJ

What's proposed: Recently, a working group on labour laws and regulations headed by Labour Secretary Prabhat Chaturvedi held its first meeting, signalling the United Progressive Alliance government's intention to push ahead with long overdue labour law reforms. The group, which will review 44 Central labour laws, including the Industrial Disputes Act, 1947 and the Factories Act, 1948, is expected to submit its recommendations by the end of July. Specifically, it will look into issues such as job creation in Special Economic Zones, use of contract labour, or the applicability and enforcement of laws in the unorganised sector. At present, for instance, the business process outsourcing and construction sectors are not covered by labour laws, while there is a minimum salary stipulation of ₹6,500 a month for workers to be eligible for membership of the Employees Provident Fund.

Labour laws are also being studied by a working group on regulatory framework for businesses led by Planning Commission member Arun Maira. The Chaturvedi panel's recommendations will be vetted by the steering committee on labour, employment and skill development, led by Planning Commission member Narender Jadhav, as part of the Plan panel's objective of achieving convergence between the reports of the two groups before finalising its strategy.

What will change: Many of India's labour laws have not been revised since Independence, even as the dynamics of the Indian economy have changed dramatically. Reforms will make them relevant to the times. Says Ashish Bhagat, a corporate lawyer: "The government has to take into account the next 30 years. It should know that gradually it will be dealing with a literate labour force. It will have to do away with the 'inspector raj', and provide welfare committees and governing councils." Moving to a complaint-based inspection of factories, for instance, instead of mandatory ones, is another much-needed reform. Bhagat suggests tax incentives for better compliance with labour laws. He adds that merely changing laws will not do – labour reform should be incentive-driven.

Says Vineet Agarwal, Director of Tax and Regulatory Services at KPMG: "The Provident Fund Act and the Payment of Bonus Act need to be looked at again." Amendments to these and other laws such as the Minimum Wages Act will allow millions of workers – most of them in the unorganised sector which makes up 90 per cent of the workforce – to avail of several benefits.



RAJAT BARAN

Challenges: "There is no room for any dilution of proper wages, social security and safety of workers," says Chaturvedi. "These are non-negotiable." Still, the working group has a daunting task ahead. Considering the number of stakeholders involved, including state governments, industry, trade unions and various Union ministries, building consensus around any kind of change will be a challenge, says Chaturvedi.

Viewpoints vary widely: typically, trade unions complain labour laws are being violated and penalties are too small to be effective deterrents, while industry wants self-regulation and an end to 'inspector raj'.

Another key priority will be to see how the numerous existing Acts relating to labour can be amalgamated into one. Experts note that apart from the 44 Central laws, there are also over 100 state laws relating to labour, some of them contradictory.

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No Comeback for Entry Load

The market regulator sticks to the ban on entry load for mutual funds while looking into ways to incentivise distributors. By MANU KAUSHIK

What's proposed: Newly-appointed Securities and Exchange Board of India, or SEBI, Chairman U.K. Sinha, who earlier headed UTI Mutual Fund as well as the Association of Mutual Funds in India, or AMFI, has decided not to lift the ban on entry load for mutual funds. Prior to the ban in August 2009, fund houses charged investors around 2.25 per cent of the amount invested as entry load to meet distribution and marketing expenses, including commissions. While banning the entry load, SEBI had allowed funds to collect a maximum of one per cent of the amount invested as exit load from investors who sell out prematurely.

Its implications: The mutual fund industry has been reeling under the impact of the 2009 ban, resulting in redemptions a net outflow of ₹18,044 crore as wealth advisers tell clients to shift to other products. The ban has also impacted new fund offers, or NFOs, of many equity funds. As per AMFI data, just 24 equity funds were launched in 2010, garnering some ₹3,000 crore, compared to 33 NFOs launched in 2009 that mopped up ₹7,284 crore. Besides, the ban has shrunk the revenues of distributors, forcing them to advise clients to either redeem their equity schemes or invest in insurance and fixed deposits, which earn them higher commissions. Currently, distributors are allowed to charge a fee from the investor, but they are required to follow a dual-cheque system: separate cheques for the investment and the commission.

Benefits: The ban was aimed at bringing more transparency into the

system, and its removal would have promoted mis-selling of products. Prior to the ban, different fund houses were paying a wide range of commissions to agents for selling their schemes. Agents often promoted funds that promised them the highest fee. Persisting with the ban will result in heightened competition among distributors and ensure better customer service.

Alternative model: Some feel SEBI has gone overboard in trying to correct the wrong practices and ended up discouraging distributors from selling mutual funds. "There are many good products in the market, but nobody is selling them and, therefore, there are no buyers," says Sanjay Matai, promoter, Wealth Architects, a Pune wealth advisory firm. SEBI has set up a panel to devise a new incentive model for distributors, in which investors could be asked to pay a service fee, while commissions for distributors could be borne by the asset management companies.

Global experience: In developed countries such as the United States, Canada and Britain, mutual funds are divided into three categories: with front-end load, back-end load and no-load options. When buying a mutual fund with a front-end load, the investor pays an up-front commission. In the case of funds with the back-end load, a fee is charged at the time of redemption. No-load funds can generally be purchased or redeemed without a sales commission.

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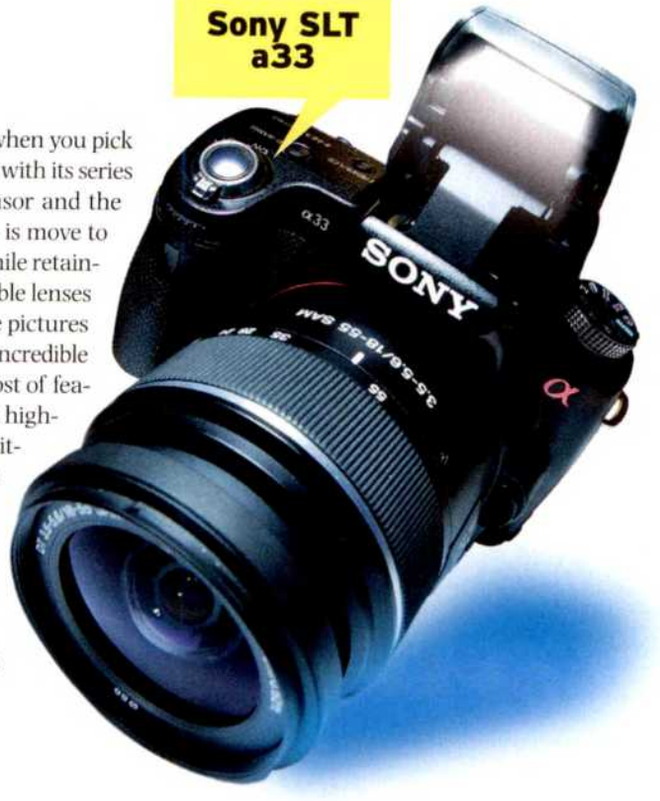
Sony SLT a33



It might look like a single-lens reflex, or SLR, camera, but when you pick one up, you realise that it is not one. What Sony has done with its series of cameras – the smaller a33 with a 14.6 megapixel sensor and the larger a55 with a 16.1 megapixel sensor and added GPS – is move to the "translucent mirror" technology. This has been done while retaining the option for users to still use Sony's line interchangeable lenses on this camera. The changing of the mirror does not make pictures any worse but allows this entry-level product to shoot at an incredible seven frames per second. The cameras are loaded with a host of features like the capacity to shoot full high-definition video. The 18-55mm kit-lens that the cameras come with is nothing spectacular, but gives an idea of how to deal with cameras of this nature. The only problem is that the a33 is 10 to 15 per cent more expensive than the entry-level products from Canon and Nikon DSLR.

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Incredibly Fast

Samsung Galaxy S2

This non-tablet Android phone from Samsung is simply the best in the Indian market today, as far as pure technical specifications go. It is incredibly fast out of the box. Though we are pretty sure users will find ways to slow down the performance of this phone, the Galaxy S2 is the Sebastian Vettel of the smartphone world. Technically, it has dethroned HTC as King of the Android Hill. Put mildly, the kind of performance witnessed under this thin sliver of plastic, glass and metal was unavailable on high-end desktops half a decade ago. The desktops did not even have touch screen applications, video camera and global positioning which this phone has. However, there is no HDMI output port and while the build-quality is solid, the phone still feels quite plastic-like. Yes, technology will march relentlessly onwards, and in time the Galaxy S2 will be consigned to the dustbin of gadget history. But until then enjoy the speed. And invest in an application killer.

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CEO Watch

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs IN MAY

Sanjay Chandra

RAJAT BARAN

Sanjay Chandra of Unitech was the most-discussed CEO in May, albeit for all the wrong reasons. Developments in the 2G spectrum scam probe, including the Central Bureau of Investigation special court refusing bail to Chandra and four other telecom honchos, their arrest and incarceration in Tihar, and their appeal in the Delhi High Court against the special court's order, were extensively reported in the media. The media focus also stayed on Chandra, because the Unitech stock fell more than five per cent after the special court's order, and was followed by newspaper reports of a rift between Unitech and its joint venture partner Telenor.

ICICI Bank chief K.V. Kamath's appointment as Infosys Chairman received wide coverage in the media, too, as part of leadership change at the firm.

TOP 10 INDIAN CEOs

Sharad Kumar

Narayana Murthy

Rank	CEO/Company	No. of Stories	
1	Sanjay Chandra/Unitech	31	▼
2	Sharad Kumar/Kalaignar TV	30	NEW
3	N.R. Narayana Murthy/Infosys	28	NEW
4	Mukesh Ambani/Reliance Industries	25	▼
5	Ratan Tata/Tata Group	25	▼
6	Shahid Balwa/Swan Telecom	23	NEW
7	S. Gopalakrishnan/Infosys	23	▲
8	K.V. Kamath/ICICI Bank	20	NEW
9	Arvind Jadhav/Air India	18	NEW
10	Chanda Kochhar/ICICI Bank	17	NEW

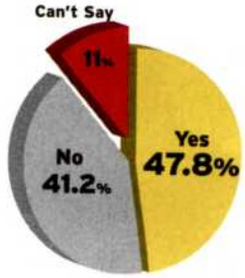
TOP 10 GLOBAL CEOs

Howard Stringer

Stuart Gulliver

Rank	CEO/Company	No. of Stories	
1	Warren Buffett/Berkshire Hathaway	88	▼
2	Howard Stringer/Sony	49	NEW
3	Stuart Gulliver/HSBC	41	NEW
4	Steve Ballmer/Microsoft	33	NEW
5	Rupert Murdoch/News Corp	33	▼
6	Steve Jobs/Apple	30	NEW
7	Robert Greifeld/NASDAQ	28	▼
8	Duncan Niederauer/NYSE Euronext	27	▼
9	Sergio Marchionne/Fiat	26	NEW
10	Mark Zuckerberg/Facebook	21	NEW

Q. Does the change of government in West Bengal augur well for business?



Results of *BT* online poll;
No. of respondents: 141

A majority of respondents feels that business has better prospects after the rout of the Left. This is hardly surprising considering that 34 years of Left rule have lowered West Bengal's standing as a business destination. Business in the state, which had blossomed under the British who made Kolkata a manufacturing hub, withered away following strikes and agitations by Left-backed unions. Businessmen are likely to be wary of Mamata Banerjee's ruling Trinamool Congress, too, because of the memory of Singur. But at least they know her party does not ideologically abhor private enterprise as did her Left Front predecessors.

Next poll question:

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"I have basically become a vegetarian since the only meat I am eating is from animals I have killed myself."

Mark Zuckerberg, *Founder, Facebook, on his new personal challenge to turn vegetarian, in an email to* Fortune

"We are doing so little about the disparity. We are allowing it to be there and wishing it away."

Ratan Tata, *Chairman, Tata Group, on the rich-poor gap in India, in* The Times, *London*

"Frankly, I don't believe that a bunch of governments can change commodity prices. They can discuss these issues, but I don't think that will make a big difference."

Montek Singh Ahluwalia, *Deputy Chairman, Planning Commission, on the need for G20 intervention, in* Mint

"According to the current by-laws of IMF, the age of a newly-appointed MD cannot exceed 65 years. [Montek] Ahluwalia is not eligible as he is more than 65."

Arvind Virmani, *India's representative and Executive Director at IMF, in* Business Standard

"We cannot build a world-class research centre in a governmental set-up... Government research institutions can never attract young talent."

Jairam Ramesh, *Minister of Environment and Forests, quoted by wire agencies*

CLASSIC BUSINESS QUOTE

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Eiji Toyoda, *former president of Toyota, in* Harvard Business Review

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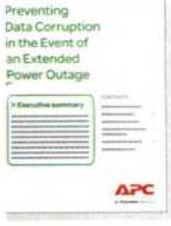

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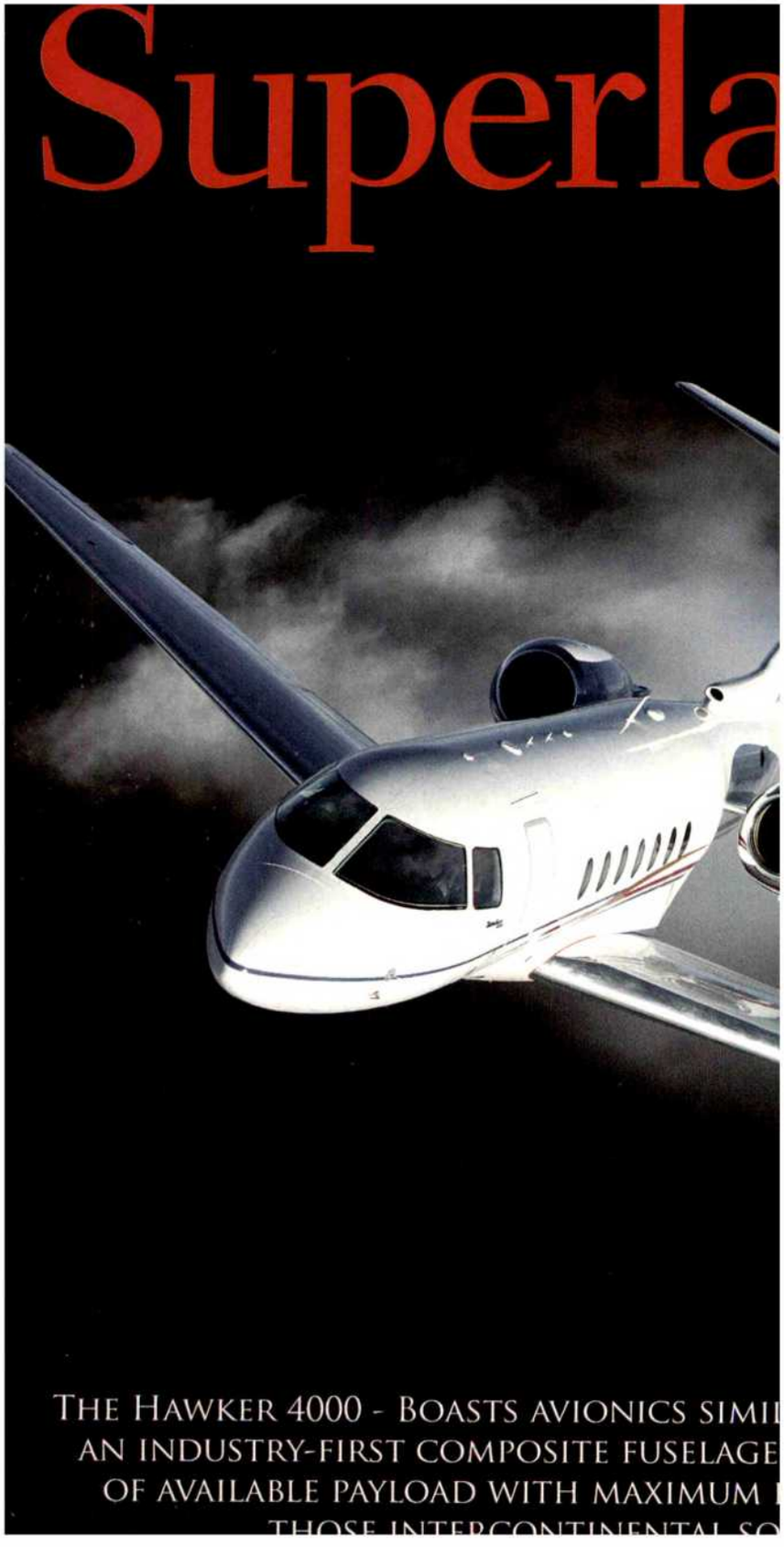

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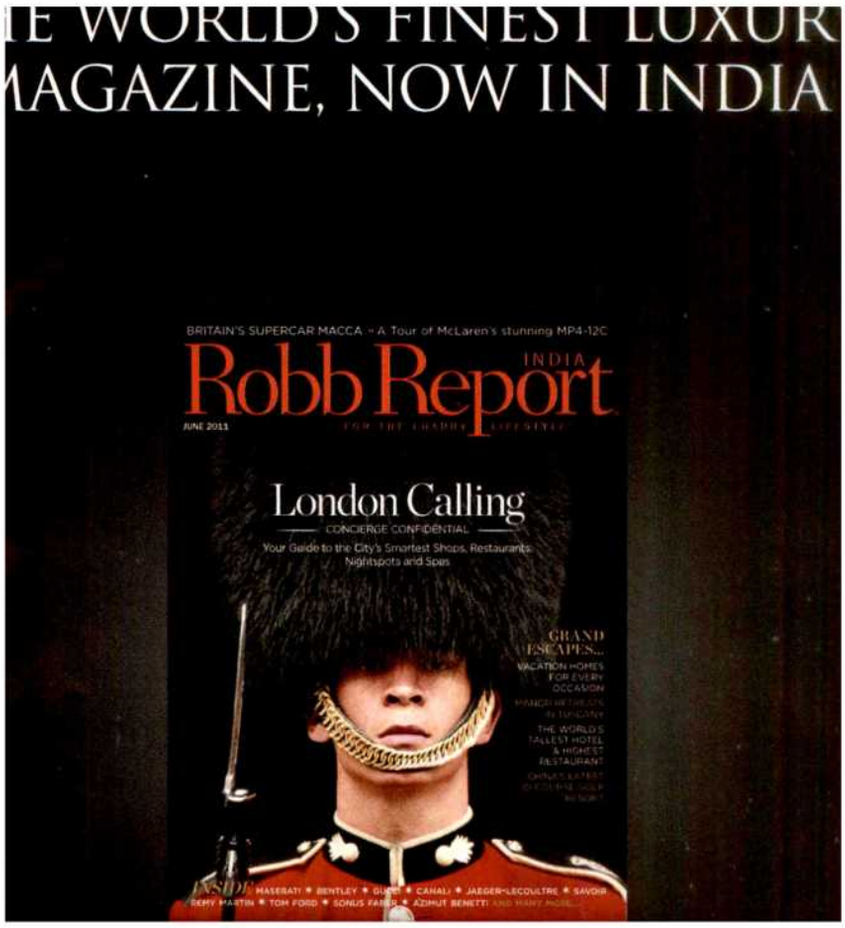
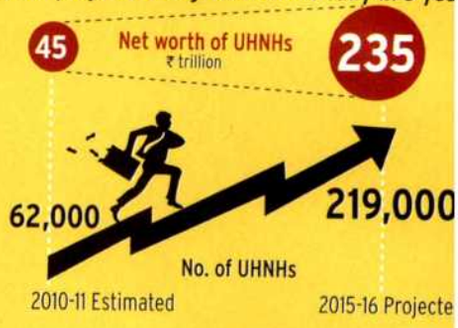


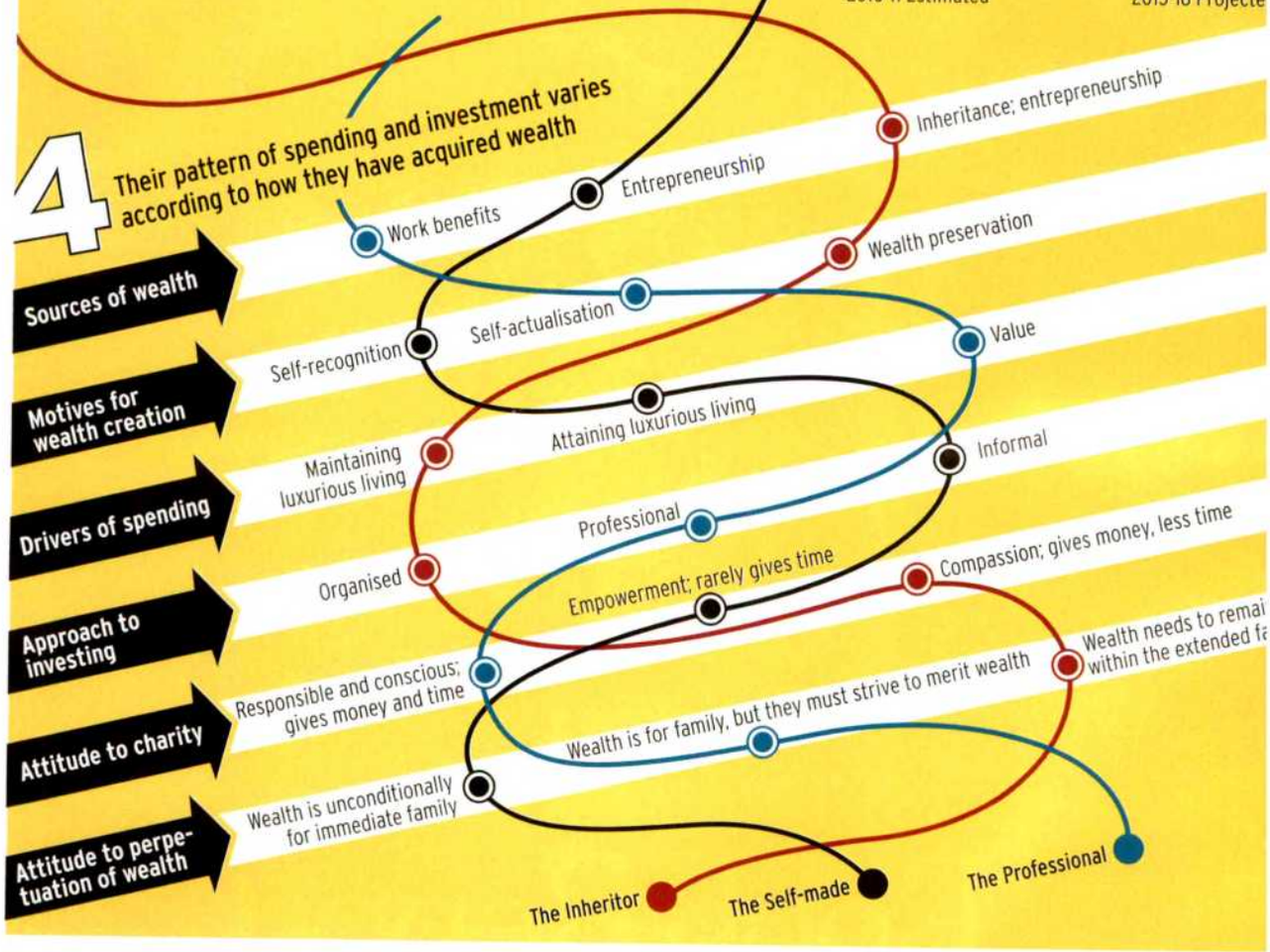
DECODING THE NEW NAWABS

Today's ultra high net worth individuals flash their wealth, are highly brand conscious, and consult family on big-ticket purchases, reveals a new study by Kotak Wealth and CRISIL Research.

1 The number of ultra high net worth households, or UHNHs, and their total net worth are projected to grow dramatically in 5 yea



4 Their pattern of spending and investment varies according to how they have acquired wealth



5 STEPS TO HERE

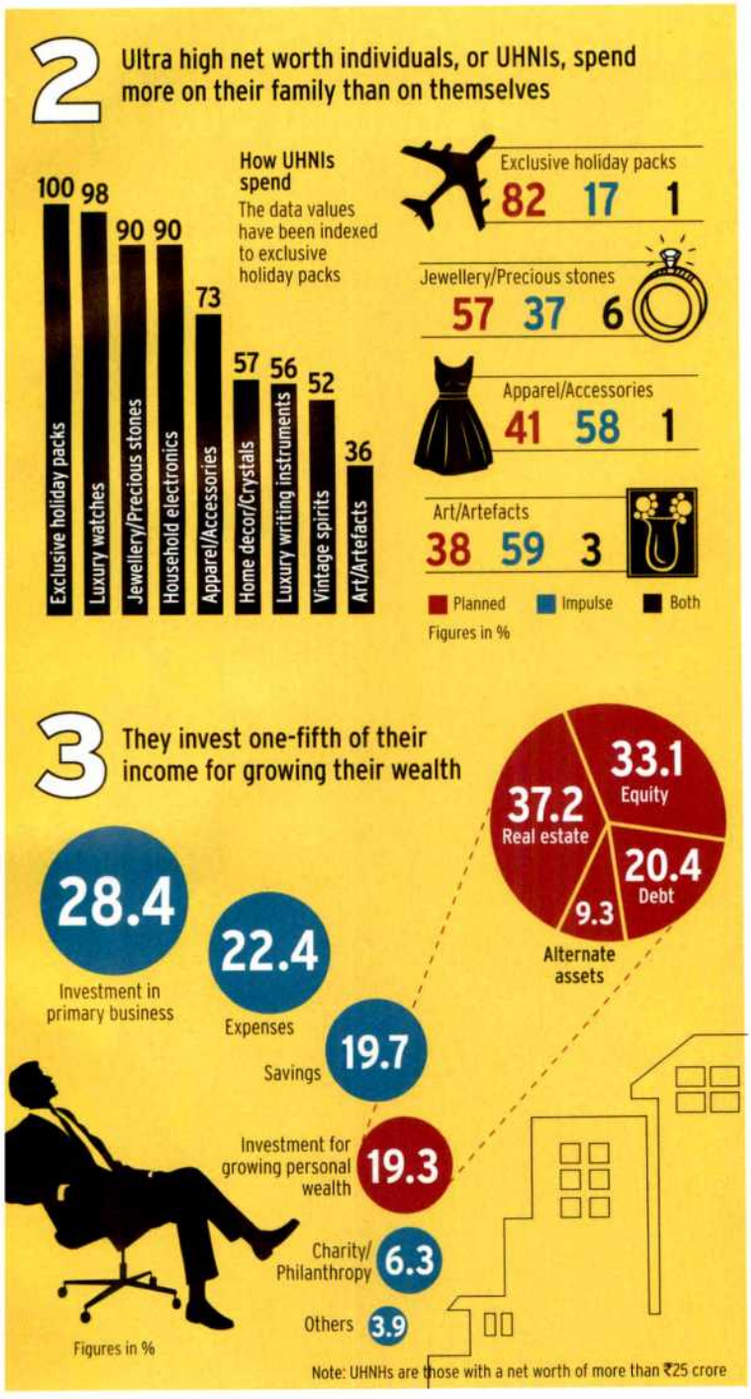
THE LONG ROAD TO NUMBER PORTABILITY

1

November 2007
The government agrees to implement mobile number portability, or MNP, in the four metros by 2008.

2

January 2009
The Department of Telecom invites bids from providers of MNP services and solutions.



BT Retro
October 21, 2007

Everyone Is Buying a PC

THEN: The PC market in India is celebrating Diwali a quarter ahead of schedule. Driven by a buoyant economy, PC sales in the country have jumped 47 per cent to 1.7 million units during the first quarter of the current financial year compared to the 1.2 million units in the corresponding period a year ago, according to a survey conducted by MAIT, the hardware industry body, in association with research agency IMRB. "Aggressive PC pricing has helped improve PC penetration among small businesses, homes and in small towns," says Vinnie Mehta, ED, MAIT.

According to the survey, desktop sales were 1.4 million units in the first quarter of this fiscal, up 38 per cent from the corresponding period 12 months ago, while laptops have continued their explosive growth with sales of 367,000 units, registering an increase of 104 per cent year-on-year. According to Mehta, PC sales are expected to reach 7.5 million units by the end of this year, with desktop sales accounting for 6.25 million units, up from 5.43 million units a year ago.

NOW: According to IDC India, total PC sales in the country in 2010 stood at 9.89 million units, a growth of 30 per cent over 2009. It was the highest growth in the last four years.

3

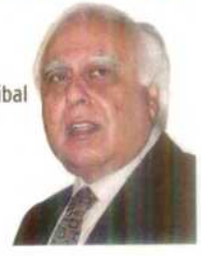
March 2009
Global firms Telecordia and Syniverse selected to provide MNP solutions in 11 circles each.

4

January 2011
After prolonged delays, MNP is launched across all the 22 telecom circles in the country.

5

May 2011
Number of users availing MNP reaches 10 million. Vodafone and Idea are the biggest gainers.


Kapil Sibal

"Worst Will Come Over Couple of Ensuing Quarters"

In Mumbai recently to attend Morgan Stanley's 13th India Annual Summit, **JONATHAN GARNER**, *MD and Chief Asian and Emerging Market Strategist at Morgan Stanley, shared his views on problems afflicting emerging economies such as high inflation, rising interest rates and elevated oil prices, in an interview with* **RAJIV BHUVA**. *Edited excerpts:*

Inflation will peak in the next three months. The process of taming inflation across emerging markets has been more problematic for growth than suspected... Oil prices are not likely to go up as quickly as they have in the past six months. But prices will continue to remain at elevated levels for a long time.

Input costs and interest rates are unlikely to increase at the same pace. The year-on-year growth will slow down. We have reached higher levels of input costs for base metals, as compared to historical prices, broadly due to structural demand across Asia and emerging markets.

India has higher growth among the emerging markets, but it also has structurally higher inflation... Policy actions alone do not drive growth. It is about real variables adjusting to fundamental changes. Growth expectation of nine per cent last year was too bullish. Hopefully, the worst will come over the couple of ensuing quarters before growth stabilises and accelerates again.

Indian equities, relative to emerging markets, will underperform in 2011. While this year other emerging markets have been more or less flat, India has underperformed by close to 10 per cent in relative terms. We expect other markets to rally by 10 per cent in the remainder of the year.

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HOW THINGS WORK

Street View

Last month, Google launched its popular but controversial mapping service Street View in India's technology hub Bangalore, four years after it was unveiled in the United States. Over time, it will be launched on Google Maps as an additional service. Here is a primer on how it works:

WHAT IS STREET VIEW? It is a feature on Google Maps that allows viewers to zoom right down to the level of the street and view it in 360 degrees. It requires real-world images that are shot with the help of cameras mounted on cars and specially-designed three-wheel pedicabs called Google Trikes. These vehicles are also equipped with motion sensors to track their positions, a hard drive to store data, a small computer running the system, and lasers to capture 3D data to determine distances within the Street View imagery.

THE 360 DEGREE VIEW: After the images are shot, they are "stitched together" to get a 3D panorama with advanced imaging algorithms.

WHY IT IS CONTROVERSIAL: Not every country is happy having street-level views of its terrain easily available. But Google claims its images are not real time and allows blurring of specific images, including car registration plates.

JUST WONDERING

More Than Meets the Eye?

Last month, the Indian Navy, which has been at the forefront of anti-piracy operations in the Indian Ocean in recent years, stopped arresting pirates under a new policy of hold-disarm-leave. Apparently, the move was in response to a spurt in retaliatory action by Somali pirates, who have so far taken 43 Indian sailors hostage. While seeking the release of hostages is justified, letting pirates walk away is not, given India's own energy security concerns and the fact that pirates pose a threat to three sea lanes critical to global energy transportation passing through the Indian Ocean. The new policy's timing, too, raised some questions beyond the immediate goal of seeking the release of Indian hostages. Was it a confidence-building measure designed to coincide with Prime Minister Manmohan Singh's visit to Africa? Or a pressure tactic to force the global community into developing a comprehensive and effective response to piracy?

COMPILED BY MUKUL RAI, ANAMIKA BUTALIA

QUIRKY

Much in a Name

What's in a name? Plenty, if you go by the number of people seeking to change their names. Some 214,000 reportedly applied for a change of name in Maharashtra alone between April 2009 and August 2010. Some of them have funny surnames like Fakte, Lund, Kharabi and Kachara, among others, which they want excised. But in the majority of cases, the change usually involves adding a letter to their first names to bolster fortunes. Fortune may or may not smile on these people, but the Maharashtra government is sure raking in big revenues from the application fee. Talking of fortunes, J. Jayalalithaa, who added an additional letter "a" at the end of her name in December 2001, recently staged a stunning comeback in Tamil Nadu assembly elections.

SNOOT CORNER

Fast and Furious

India is hosting its first Formula 1 race this year. Racing drivers have to strictly maintain a weight of 70-74 kg during their driving careers to get the maximum speed out of an F1 car. The current generation of F1 cars can go from 0 to 100 kmph in 1.7 seconds, during which the driver is pushed back in his seat with a force of 1.45 times his body weight. The steering wheel in a modern F1 car is more like the controls panel in the cockpit of an airplane. It contains about 31 buttons and dials for various manoeuvres and costs €23,000, or ₹14,72,000.

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All Fall Down

More than half the IPOs that hit the markets between 2007 and 2009 are trading under water.

By MANU KAUSHIK

You only learn who has been swimming naked when the tide goes out.
Warren Buffett, Chairman and CEO, Berkshire Hathaway, in his annual letter to shareholders

The tide has gone out of the Indian stock markets, leaving several listed companies thoroughly exposed. They were all on a roll through 2007 and early 2008, with the Bombay Stock Exchange's benchmark index, Sensex, hitting an all-time high topping 21,200 in January 2008. The global economic downturn that followed did hit the markets hard – the Sensex dropped like a stone to nearly 8,000 in March 2009. But it recovered again to reach the 17,000 level by October 2009. As many as 157 initial public offerings, or IPOs, hit the markets in these three years, raising a total of ₹70,627 crore, estimates Prime Database, a market offerings tracker.

Yet 84 of these 157, or more than half, are currently trading at far lower than their issue prices. Overpriced and excessively hyped IPOs and those with questionable fundamentals – as well as some which were hit by unforeseen external factors – have all suffered. "The markets were unduly bullish at the time," says Chirag Shah, analyst at ICICI Securities. "Money was easily available and promoters got the valuations they wanted. But eventually everything finds its own level."

Take Delhi-based DEN Networks, for instance. A multi-system operator, or MSO, which provides analogue and digital cable television services across 84 cities, DEN Networks tapped the capital markets in November 2009, raising ₹390 crore selling shares at ₹195. For almost a year, the scrip stayed close to the issue price, touching an all-time high of ₹254.40 in August 2010. But since then it has shed 58 per cent of its issue price. It was trading at around ₹107 in May 2011.

"It is because of our slow pace of digitisation in the past few months," says Mohammad Ghulam Azhar, President, Strategy and Business Development, DEN. Why should that matter? Because MSOs such as DEN depend upon local cable networks both to take their bouquet of channels to end users and to collect user fees. Digitisation – or migration from analogue to digital networks – leads to better reporting and in turn better revenues. The more an MSO digitises, the more it is appreciated on the bourses.

DEN is not alone. Other MSOs and media and entertainment companies have also suffered for similar reasons. Shares of Raj Television Network, Broadcast Initiatives and Cinemax, which too came out with IPOs in the same period, are down by 70 to 80 per cent from their listing prices.

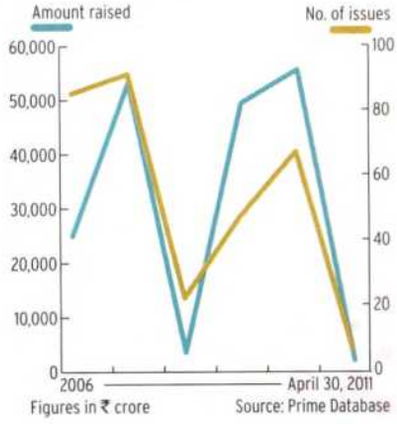
Another near-disaster, for very different reasons, is the Chennai-based Shriram EPC. The company provides services to renewable energy projects, metallurgical and process plants and municipal water-based plants. In February 2008, it raised ₹150 crore from the market at an issue price of ₹300 per share; today, it trades at around ₹130. While many observers say Shriram EPC overvalued itself, Arun Duggal, its Chairman, demurs. "Our revenue growth did not pan out the way we were expecting in the past three years," he says. Against a compound annual growth rate of 138 per cent in revenues between 2003/04 and 2007/08, Shriram grew just 40 per cent between 2007/08 and 2009/10.

A number of other players in the same or similar space such as Gammon Infrastructure, DLF, Omaxe, Consolidated Construction Consortium, Simplex, Purvankara Projects and KNR Construction that also launched IPOs during the three years have met the same fate: their current share prices are hovering at 30 to 90 per cent below issue prices.

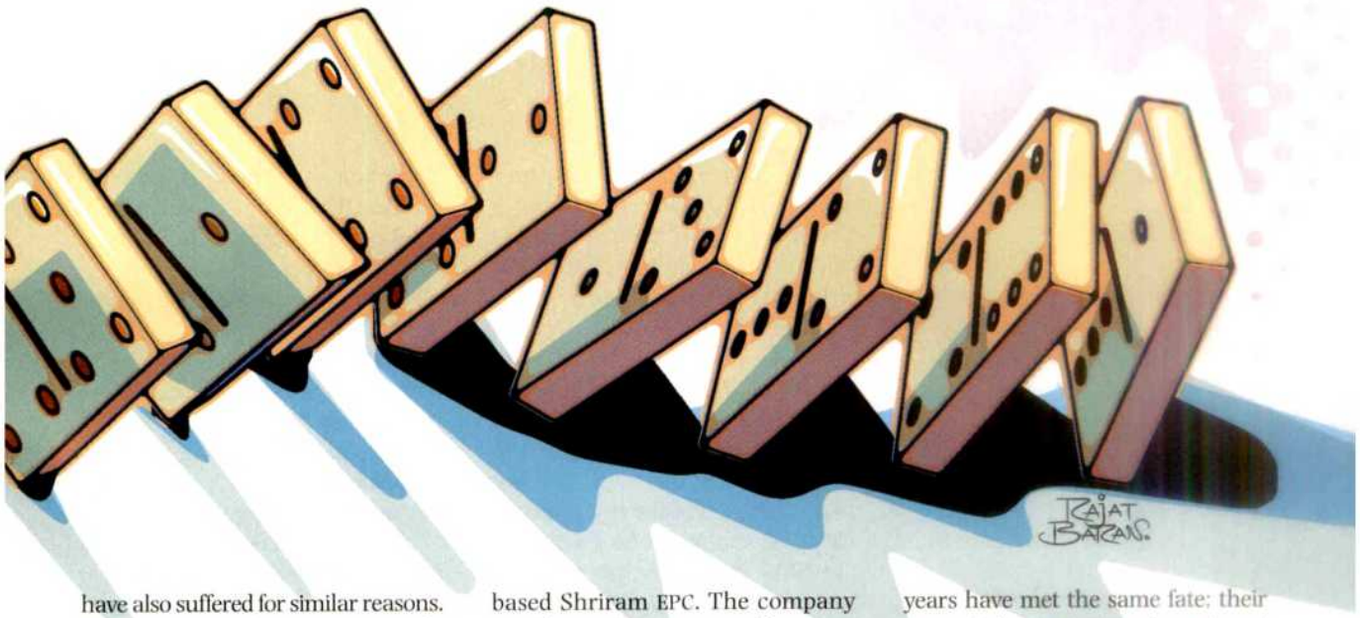
Companies in the telecom sector are all having a rough time. The stock price of Nu Tek India, a telecom infrastructure player, seems to have eroded the most. Against an issue price of

SOUTH BOUND

Public issues over the years



Figures in ₹ crore
Source: Prime Database



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NEW NORMS, NEW TROUBLES

The Bombay Stock Exchange, or BSE, recently issued fresh guidelines for small and mid-size companies that were suspended from the exchange for failing to comply with its norms for over a year. From July this year, the listing eligibility criteria for such companies will be raised from ₹3 crore paid-up capital to ₹10 crore. In addition, the companies will be required to show they had a net worth of at least ₹50 crore for three financial years immediately preceding the application for re-listing.

Market experts reckon that the new rules will badly affect retail investors who are stuck with these companies' shares. According to some estimates, there are around 1,400 companies which have been suspended from the BSE. A 2009 study by Mumbai-based CNI Research revealed that of these, around 789 companies had a market capitalisation of ₹60,683 crore at the time of suspension. Over 95 per cent, or ₹57,563 crore, of this market cap comprises retail investors' money, while the rest includes institutions' and promoters' stake.

"The decision could leave the fate of millions of individual investors hanging in the balance," says Kishor Ostwal, CMD, CNI Research. "BSE needs to rework this and perhaps launch some scheme whereby smaller companies get a chance to list again after paying the penalties imposed and complying with the exchange's rules and regulations."

SHEKHAR GHOSH

"We didn't overvalue ourselves. Our revenue growth did not pan out the way we were expecting in the past three years"

Arun Duggal, Chairman, Shriram EPC

₹192 per share, Nu Tek is now trading at ₹10.96 (taking into account its 2:1 share split). "It is the business environment that has turned unfavourable," says Vineet Goel, General Manager, Corporate Strategy, Nu Tek. "Our margins declined because of competition." He says whenever telecom companies reduce call rates, or pay huge amounts for licences – as they did during the 3G auction last year – there is pressure on companies like his to charge less for equipment. "In 2007, we used to charge ₹4 lakh to install a telecom tower, the price is down by 40 per cent now," he adds.

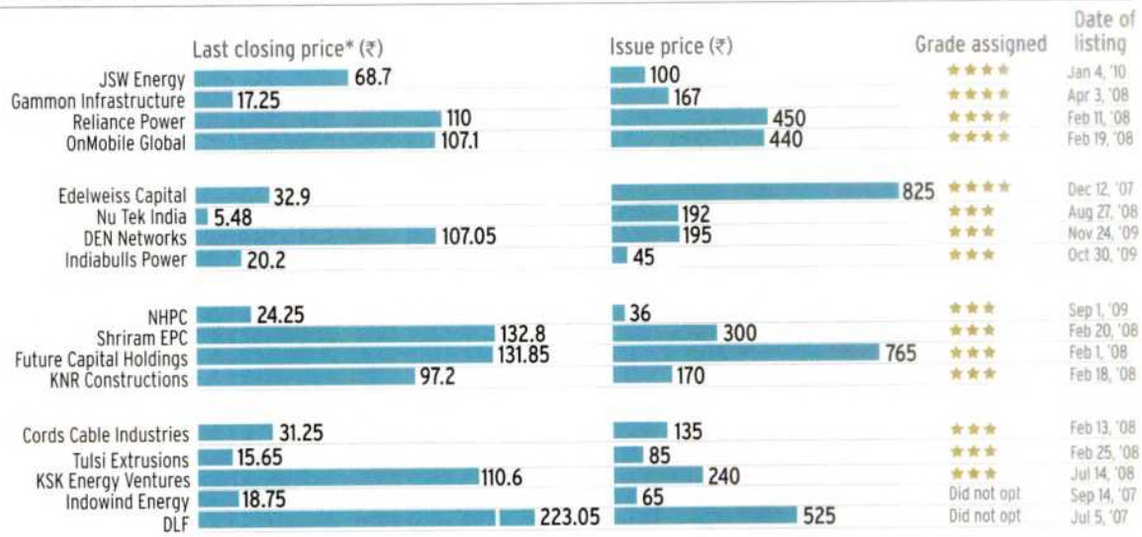
Other telecom firms that have been hit since their listing range from Idea Cellular, down 14 per cent from issue price, to Dhanus Technologies, down 95 per cent. Competition has taken a toll on them all, though a few have faced other singular problems. OnMobile Global, which provides telecom value-added services, listed in February 2008 with a grading of four at ₹440 per share. The stock is trading 51 per cent below its issue price today (accounting for the 1:1 bonus shares issued last month). "Operating profits have been hit because of new investments in Brazil, Argentina and Venezuela, following our deal with Spanish telecom giant Telefonica," says Arvind Rao, CEO and Managing Director. "The expansion plan was off the radar at the time of the IPO."

A report by brokerage firm Asit C. Mehta Investment Intermediates says the relatively slow rise in 3G revenues and the general weakness in the European markets will continue to put pressure on revenues.

Most power companies are also faring poorly at the bourses. Be it big ticket IPOs like Reliance Power, NHPC, Indiabulls Power and JSW Energy, or little-known ones like Indowind Energy and KSK Energy Ventures, all have performed below par. (See *Laggards on Dalal Street*.) The biggest disappointment has been Reliance Power, whose ₹11,700 crore IPO – the second biggest ever after Coal India's – got a rousing response, being oversubscribed 69 times. Yet today the stock has been beaten down by 61 per cent of its issue price (also taking into account the 3:5 bonus issue which the company introduced within 20 days of its listing).

"From early 2010, the power sector has been in serious trouble," says

LAGGARDS ON DALAL STREET



*As on May 23, 2011 Grades are given by rating agencies on a scale of 5

Source: BT Research

Shah of ICICI Securities. "It is mired in problems relating to environment clearances, land acquisition and coal linkages." State-owned NHPC's stock is down since work was stalled by local opposition at two dams it was to build: the Lower Subansiri hydroelectric project on the Assam-Arunachal Pradesh border and the Parbati II project in Himachal Pradesh.

Opposition to its plant is also the reason why Cords Cable Industries, a manufacturer of various kinds of cables, has seen its valuation plunge. Cords listed at ₹135 per share in early 2008 and is currently trading at ₹31.25. The main reason is its inability to put up a new plant at Pathredi in Rajasthan – for which it drew funds through the IPO – despite having bought land, due to resistance from the villages around. "In 2007/08, we were doing business of ₹200 crore per annum. Since we could not commission the new plant, our income suffered and revenues grew only 10 per cent between 2007/08 and 2009/10," says Managing Director Naveen Sawhney.

Interestingly, these IPOs had received favourable ratings. To help minority shareholders make informed choices, SEBI had made IPO grading mandatory for all companies in May 2007. Rating agencies were optimistic about many of these IPOs, grading them at three or four on a scale of five. How is it that stocks that were rated highly plunged soon after? "In many cases, IPO pricing went beyond the intrinsic value of the company," says Raamdeo Agrawal, Joint Managing Director, Motilal Oswal Financial Services. Issuers and retail investors are both to blame, he says. "Issuers are the best judges of pricing. But the process has turned into a short-term play. Retail investors treat new IPOs like a lottery. They want to earn quickly and sell out within six months."

The biggest sufferer, of course, is the small investor who put his money in these companies. "We have been raising this issue with market regulator SEBI," says G.S. Sood, President, Society for Consumers' and Investors' Protection. "We have suggested they blacklist and penalise merchant bankers whose three consecutive IPOs have not done well post listing, which would minimise market manipulation. But SEBI thinks disclosure norms are enough. Given the poor financial literacy in the country, SEBI needs to take some proactive steps." ◆

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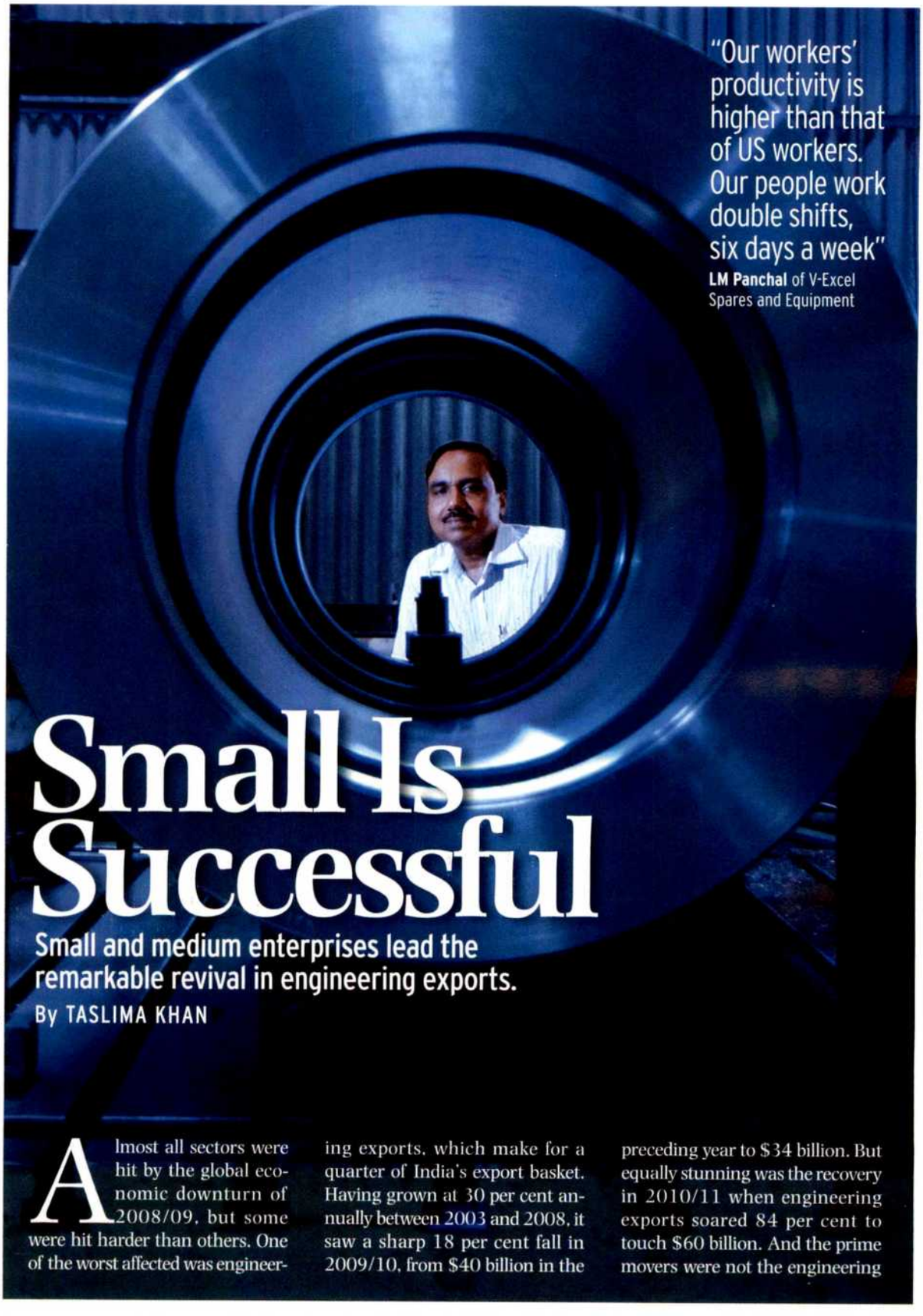

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LM Panchal of V-Excel Spares and Equipment

RACHIT GOSWAMI/www.indiatodayimages.com

Small Is Successful

Small and medium enterprises lead the remarkable revival in engineering exports.

By TASLIMA KHAN

Almost all sectors were hit by the global economic downturn of 2008/09, but some were hit harder than others. One of the worst affected was engineering exports, which make for a quarter of India's export basket. Having grown at 30 per cent annually between 2003 and 2008, it saw a sharp 18 per cent fall in 2009/10, from $40 billion in the preceding year to $34 billion. But equally stunning was the recovery in 2010/11 when engineering exports soared 84 per cent to touch $60 billion. And the prime movers were not the engineering

giants but the small and medium enterprises, or SMEs, in the sector.

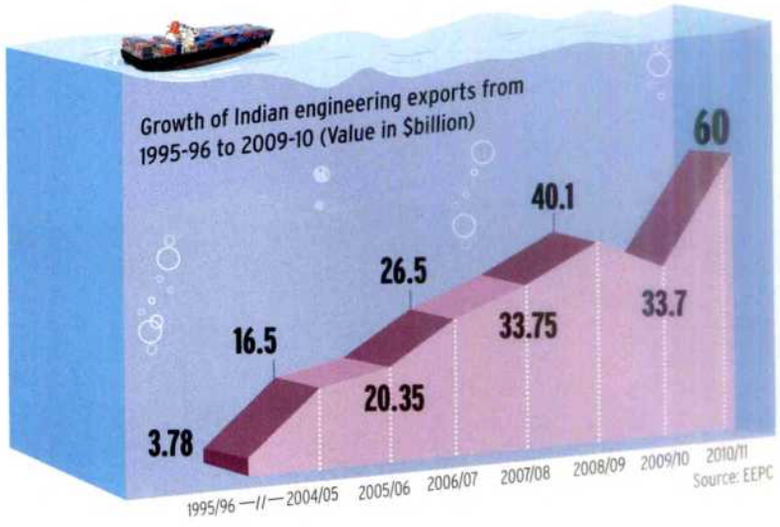
Engineering SMEs, mainly located in clusters across Punjab, Haryana, Tamil Nadu, Maharashtra and Gujarat, dominate the light engineering sector. "Except during the slump following the recession, exports by SMEs have grown consistently at 35 per cent year on year, higher than the overall growth in engineering exports," says R. Maitra, Executive Director at industry body Engineering Exports Promotion Council, or EEPC. SMEs contribute over 38 per cent to the overall engineering exports, show EEPC figures.

Traditionally, the biggest export advantage of the Indian engineering industry has been the low cost of its labour. "The labour we employ is 25 to 30 per cent cheaper than in the United States," says L.M. Panchal of the Mumbai-based V-Excel Spares and Equipment, which manufactures goods for engineering heavyweights such as Tata Steel, Larsen & Toubro and JSW Steel. "Our workers' productivity is also higher. Labour in the US will not work for more than eight hours, five days a week. But our people work double shifts, six days a week, sometimes even seven."

Not surprisingly, many international clients increasingly rely on Indian SMEs for cheap, yet high quality products. "Many countries have completely outsourced their requirements for castings, forgings and fasteners to Indian SMEs," says Piyush Khemka, Director at EDCONS (MKS) Castings, a Howrah maker of metal castings.

Engineering SMEs also deserve credit for responding quickly as

A Sea Change



GRAPHICS BY SANTOSH

Western markets began to revive, by making fresh investments in capacity building, expanding into new markets and seeking the help of professional consultants.

Gautam Maini, Managing Director of Maini Precision Products, which calls itself a one-stop shop for manufacturing solutions, has been investing heavily in additional machinery in the past six months. "During the slump of 2008/09, all our customers in the US and Europe piled up huge inventories," he says. Explaining his investments, he adds: "When the recovery started around June 2010, these were quickly exhausted, and there was a sudden order spike." V-Excel's Panchal invested ₹80 lakh on machinery upgrade in 2010 and has doubled his production too, since.

Many SMEs are also replacing obsolete machines with the latest technology to adapt to a changing world. EDCONS made metal castings using induction-based furnaces. But two years ago, it installed coke-based furnaces as the use of induction-based furnaces made the end product costlier, and demand consequently suffered, especially during the slowdown. "Castings produced from coke-based furnaces are 20 to 25 per cent cheaper and are in much in demand now," says Khemka.

Hit hard by the downturn, engineering SMEs have also been quick to adopt lean manufacturing practices to maximise the use of resources and reduce wastage. "SMEs have increasingly invested in professional consultancy to adopt lean manufacturing practices in the past three to four years," says Amol Matte, consultant at UMAS India, an engineering con-

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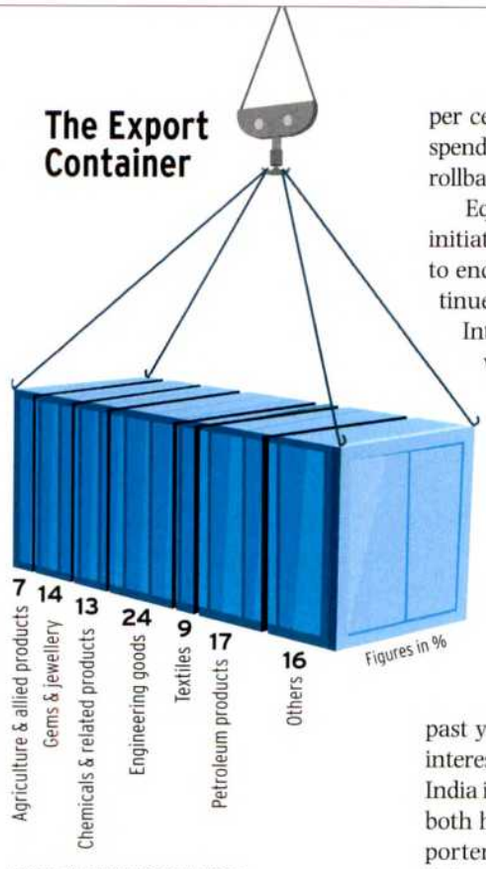
sulting firm. Maini Precision Products, for instance, has formulated a new, extremely flexible business model which enables it to switch between a varied manufacturing line, from aerospace to hydraulics products, without much difficulty. SMEs have enthusiastically responded to the government's Lean Manufacturing Competitiveness Programme, launched in August 2009 across 100 SME clusters, bringing in consultants to teach them efficient practices.

But Western markets are still to regain their earlier robustness. Exports to the US and Europe are lower than they used to be five years ago. But Indian exporters, including the engineering SMEs, have made up for it by seeking out new markets. Five years ago, the US and Europe accounted for 50 per cent of India's exports; in 2010/11, that slipped to just 30 per cent, but exports to countries in Africa, Latin America and Asia have doubled. "It has been damn good luck," says Rahul Khullar, Commerce Secretary. "Our engineering exporters, who used to predominantly deal with the US are now breaking into fast-growing markets like Brazil, Columbia, Argentina, Mexico and Chile." Adds Ajay Sahai, Director General at business lobby Federation of Indian Export Organisations: "Exports to these other regions show very high growth as these economies are also growing fast."



Source: Directorate General of Commercial Intelligence and Statistics

How long the current engineering exports boom continues, however, remains to be seen. The Commerce Ministry hopes to double engineering goods exports from $60 billion in the last financial year to $125 billion by 2012/13. Is this achievable? "Last year's recovery was largely because the G-20 countries, which control 80 per cent of global trade, were on a spending spree. But there could be a rollback," cautions Sahai.

Equally, a number of schemes initiated by the Indian government to encourage exports may not continue indefinitely. One of them, the Interest Rate Subvention Scheme was withdrawn in March this year. The Duty Entitled Pass Book Scheme, which provides certain tax breaks to exporters, expires on July 1. A third much-utilised tax break, the zero duty Export Promotion Capital Goods Scheme, may also be headed for the chopping block.

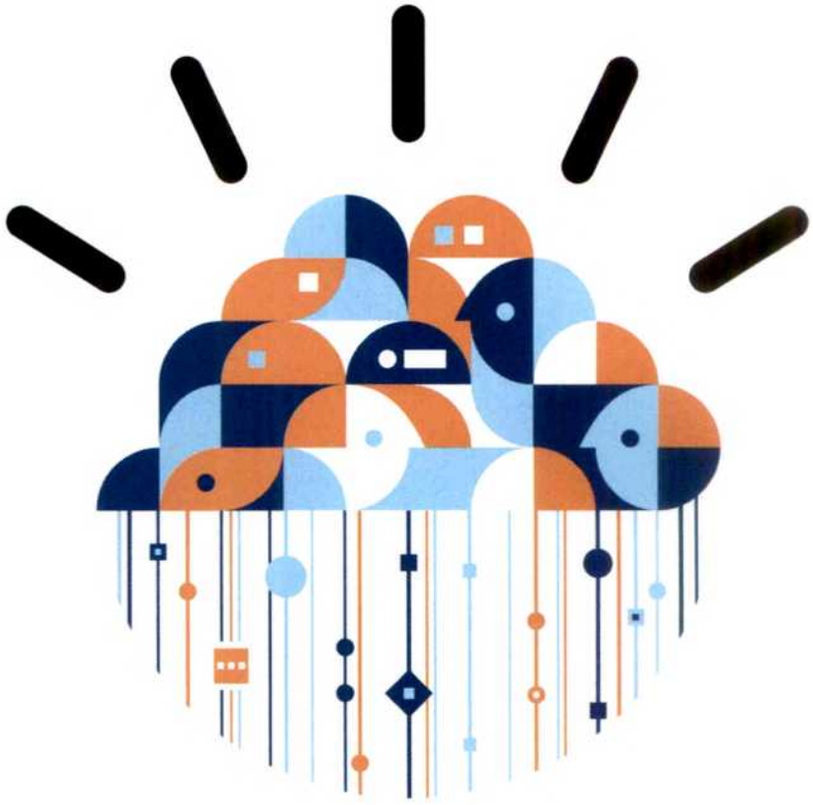
Rising inflation over the past year, as well as the increase in interest rates by the Reserve Bank of India in a bid to control inflation, are both hurting engineering goods exporters. Ishwar P. Bajaj at Sainest Tubes, for instance, finds that the price of his key input, steel tubes, has increased 30 per cent from last year, from around $850 per tonne to around $1,100. Simultaneously, rising interest rates are making credit costlier; he is currently paying 14 per cent on his bank loans against 11.5 per cent last year. "It is difficult to deal with the pressures on margins," he says.

"The contribution of SMEs in the engineering sector is very significant. The export push will have to come from SMEs," says Uday Kumar Varma, Secretary in the Ministry of Micro, Small and Medium Enterprises. But he maintains the sector does not need subsidies, instead it should become more aware of recent technologies and have better access to them. ◆

SAPTARSHI BISWAS/www.indiatodayimages.com

"The contribution of SMEs in the engineering sector is very significant. The export push will have to come from SMEs"

Uday Kumar Varma, Secretary, Ministry of Micro, Small and Medium Enterprises



Is cloud computing secure computing?

The emerging computing option known as "cloud" has been embraced by consumers and businesses alike - delivering everything from music and photos through a public cloud to business e-mail and data storage through a private, corporate cloud.

Cloud is now poised to create new business models across industries and to move into areas that matter at a societal level, such as healthcare, finance, government services and national defence.

But, a Global Risk Survey conducted by IBM's Institute for Business Value found that cloud computing raised serious concerns: 77% of respondents believe that adopting cloud computing makes protecting privacy more difficult; 50% are concerned about a data breach or loss; and 23% worry about a weakening of corporate network security.

Whether it's a public cloud or private cloud, cloud resources are subject to the same risks as any shared resource, and they require the same protections. A one-size-fits-all approach - one that treats enterprise e-mail the same as tweets, or banking data the same as uploaded photos - will not work.

The good news is, enterprises and governments around the world are realising this, and are pioneering approaches that should bring cloud computing into the mainstream of the way our world works.

Financial institutions in India are leading the way. Using cloud, Indian banks are delivering banking services to a large population to whom mainstream banking facilities are not available. By adopting a flexible, customer-centric, cloud-based model, banks are enabling financial inclusion in a cost-effective and sustainable way.

The United States Air Force (USAF) has adopted a new project to design and demonstrate a mission-oriented private cloud environment. The 10-month project demonstrates advanced security and analytics technologies currently in use in commercial sectors. The Air Force could elect to use this architecture for immediate implementation in their public and private networks, which could scale to over 700,000 military and civilian personnel.

Two multinational corporations are using public cloud collaboration to apply smart technologies, including mobile phones, text messaging and intuitive Web sites, to combat malaria in Tanzania. The project delivered, tracked, traced and improved the supply of antimalarial drugs three-fold in sub-Saharan Africa, helping to save hundreds of lives in an extremely challenging environment.

This list could go on, with examples in areas from retail to banking to education. If we do this right - if we build in reliability, security and privacy by design - then our cloud-based systems, both public and private, have the potential to bring new heights of intelligence to the way our world works.

Let's build a smarter planet. Join us and see what others are doing at **ibm.com/smarterplanet/in/cloudcomputing**

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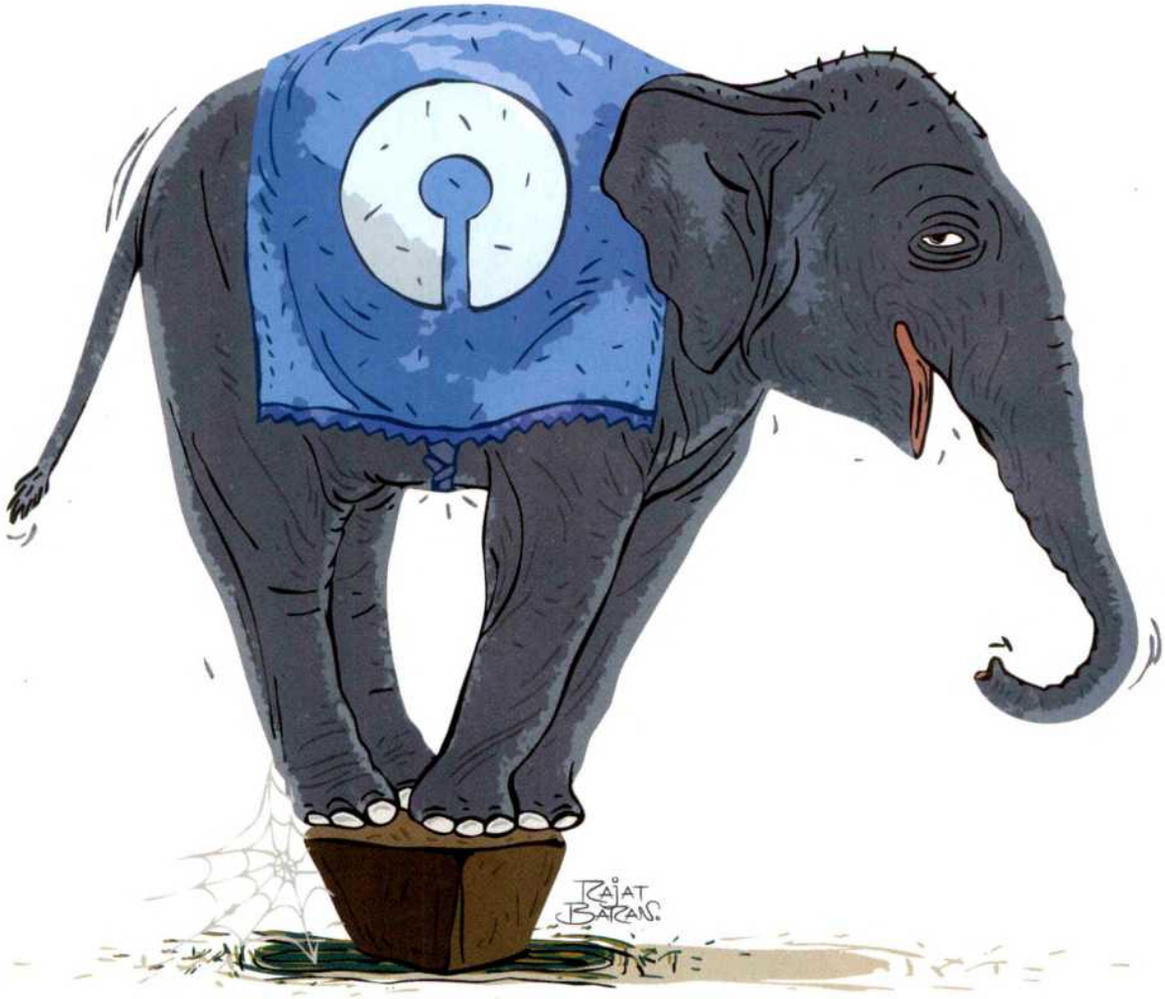


Stressed Bank of India

SBI takes a body blow by not provisioning for NPAs in time. By N. MADHAVAN

The atmosphere on the streets of Kolkata was one of celebration on May 17. The city was getting ready to welcome West Bengal's first non-Communist government in 34 years. In contrast, at the city's iconic Taj Bengal where the board of directors of the country's largest lender, State Bank of India, or SBI, had met that morning, the mood was sombre.

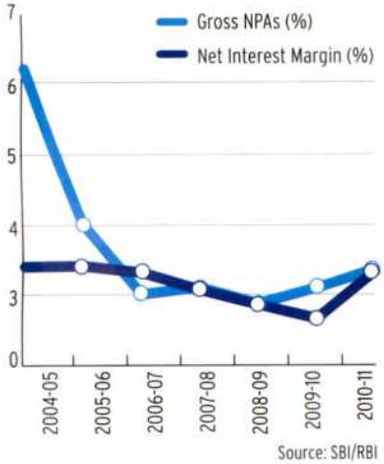
The directors had gathered under a new chairman, Pratip Chaudhuri, who took charge on April 7, to approve the bank's fourth quarter performance – the worst in recent history. SBI's net profit had plunged 99 per cent to ₹20.88 crore in the January-March quarter, from ₹1,867 crore a year ago. Dragging profits down to virtually nothing were provisions made to cover non-performing assets, or NPAs, defined as loans not serviced for three months – and pension liabilities. Provisions rose by an unprecedented 82 per cent to ₹6,059 crore.

"These are one-off provisions which will not appear in subsequent quarters," Chaudhuri said at a press meet but that helped little to calm frazzled investors and traders. By the end of the day, shares of SBI fell eight per cent. The scrip today is at ₹2,200 levels, almost 15 per cent below its pre-results price.

As details trickled out, it became clear that SBI had only itself to blame for the hammering of its shares. As early as October 2009, the Reserve Bank of India had in its monetary policy stipulated that all banks should cover through provisions 70 per cent of their NPAs and had set a September 2010 deadline. While most banks made incremental provisions each quarter to reach the stipulated level, SBI chose to buy time and made little provision, and instead shored up profits. At the end of March 2010, SBI's NPA coverage was just 44.36 per cent compared to Bank of Baroda's 74.46 per cent. Even large banks such as ICICI Bank, ranked second in India by assets, reported 59.48 per cent coverage and Punjab National Bank 69.46 per cent.

The Worry

SBI's profitability and asset quality have been deteriorating in recent years



Source: SBI/RBI

Had the management under O.P. Bhatt, who retired from SBI chairmanship in April, chosen to provide for the additional NPA coverage since the RBI stipulation, the impact per quarter would have been ₹570 crore instead of the large ₹2,330 crore made in the January-March quarter. "Being a large bank, SBI should have taken the lead to achieve the required coverage but it kept coming back to us seeking more time," a senior RBI official said, requesting anonymity.

That's not all. RBI, in November 2010, asked all banks offering teaser home loans to provide higher provisioning – two per cent from 0.2 per cent earlier – which worked out to ₹500 crore for SBI. Such teaser loans offered fixed interest rates, set at least one percentage point lower than market rates, for the first three years of the loan tenure. The central bank had apprehensions that the product would not be properly understood by small borrowers who would be attracted by the lower interest rate without realising it would be reset after three years. SBI did not make for the provision despite its auditors asking it to do so for the quarter to December 2010. The ₹500-crore provision, too, was made in the fourth quarter.

The bank's inaction on the pension provision is even worse. The need for provisions arose on account of wage revision which was due in 2007 and finally concluded in 2010. Conservative accounting norms insist that provisions for such liabilities be made from the year they become due, based on broad estimates. SBI finally made a large provision of ₹7,927 crore in the 2010/11 fourth quarter. As it lacked adequate profits, it chose to draw this amount from the reserves which resulted in the Tier-I capital – a yardstick of capital adequacy at a bank measured by equity and reserves as a percentage of assets – falling below the benchmark eight per cent to 7.77 per cent. "Though we expected higher provisioning for pensions, the quantum came as a real surprise to the market," says Ananda Bhoumik, Senior Director, Fitch Ratings India.

Bhatt, who chaired SBI for five years, declined comment. "It is unfair for me to talk on the bank performance when a new chairman has already taken charge," he told *BT*.

Despite an impression that much of SBI's troubles may be of Bhatt's

Big But Not the Best

SBI fares poorly on most operational parameters vis-à-vis its peers

Return on assets (%)

Return on Capital Employed (%)

Capital Adequacy (%)

Operating profit per employee (in ₹lakhs)

Net NPAs (%)

* for the 2010/11

Source: Business Today Best Banks 2010 survey. All data for 2009/10

SANTOSH

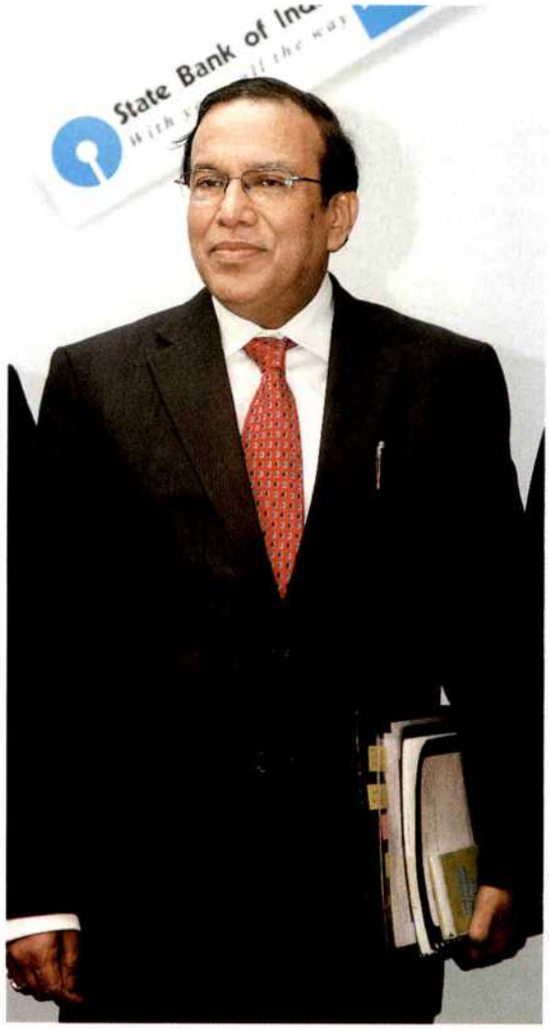
making, bank insiders and experts outside credit him with making the lender aggressive. He grew the bank's asset book to ₹12 trillion (1 trillion=100,000 crore) at a compound rate of 20 per cent between September 2007 and March 2011, an expansion that was seven percentage points faster than the industry. "Bhatt taught the elephant to dance," says Vinod Wadhwani, Director, Ambit Corporate Finance, on SBI's transformation.

But Bhatt's run-ins with RBI cost him dearly: he burnt bridges with the regulator and the Union government. As a consequence, he could not convince the government, which holds 59.40 per cent of SBI's equity, to approve a rights issue that could have raised up to ₹20,000 crore. "Had the bank raised the money in 2010/11, the impact of the large scale provisioning would have been less severe as its Tier-I capital would still be comfortably over the eight per cent benchmark," says Bhoumik of Fitch. And, today "it is more challenging to raise equity but SBI has no choice," he adds.

Chaudhuri was not available for an interview but SBI insiders say the new chairman is in a hurry to change the bank's strategy. To be sure, this is not the first time results have nosedived around a new chairman assuming charge. The first quarter under Bhatt's stewardship saw a 35 per cent drop in profits. In the January-March quarter of 2001, just after Janki Ballabh started chairing SBI, its net profit fell by 45 per cent.

The new chairman "is rolling back many of the organisational decisions which Bhatt took in the last five years," says a senior SBI officer in Mumbai. Within a month of joining,

New SBI chairman **Pratip Chaudhuri** wants the bank to be among the top 50 in the world by 2013



RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Chaudhuri restored the post of deputy general managers, or DGMs, at bank branches – a position that Bhatt had abolished when he grouped branches under the supervision of general managers. (March 2009 data shows SBI had the highest officer to clerk ratio at 1.5 compared to the public sector banks average of 1.12; IDBI Bank had 0.2.) Chaudhuri believes that a DGM at branches is in better placed to oversee corporate and other accounts, and that also helps in assets management.

Preparedness on this front is vital for SBI. It has restructured loans of some ₹35,000 crore on its books, up to 15 per cent of which are delinquent, with more likely to come up soon, according to Ambit's Wadhawani. Another ₹10,000 crore worth of teaser home loans are coming up for an interest reset, which will raise home loan borrowers' cost by up to two percentage points. In fact, asset quality deterioration is already underway at SBI – its gross NPAs grew to 3.31 per cent in March 2011 from 3.05 per cent a year ago. Profitability is under pressure too: net interest margin fell to 3.32 per cent in March from 3.61 per cent a quarter earlier.

Then, there is a fickle global economy. There are signs of weakening in the US with manufacturing slowing down to the slowest since September 2009, in addition to the worries in Europe. Chaudhuri's experience running international banking at SBI since April 2009 will prove vital, feels the senior officer quoted earlier. "International portfolio is contributing equally to fresh NPAs which in terms of portfolio size is as big as agriculture," he says. SBI's global portfolio is 14 per cent of its total advances.

Even by aggressive targets that CEOs in the world's second fastest growing economy set for themselves, Chaudhuri's aim of ranking SBI among the world's top 50 banks is evidently ambitious, more so his focus on margins rather than market share. The question is whether this ambition will remain a dream by the time he retires in September 2013. ◆

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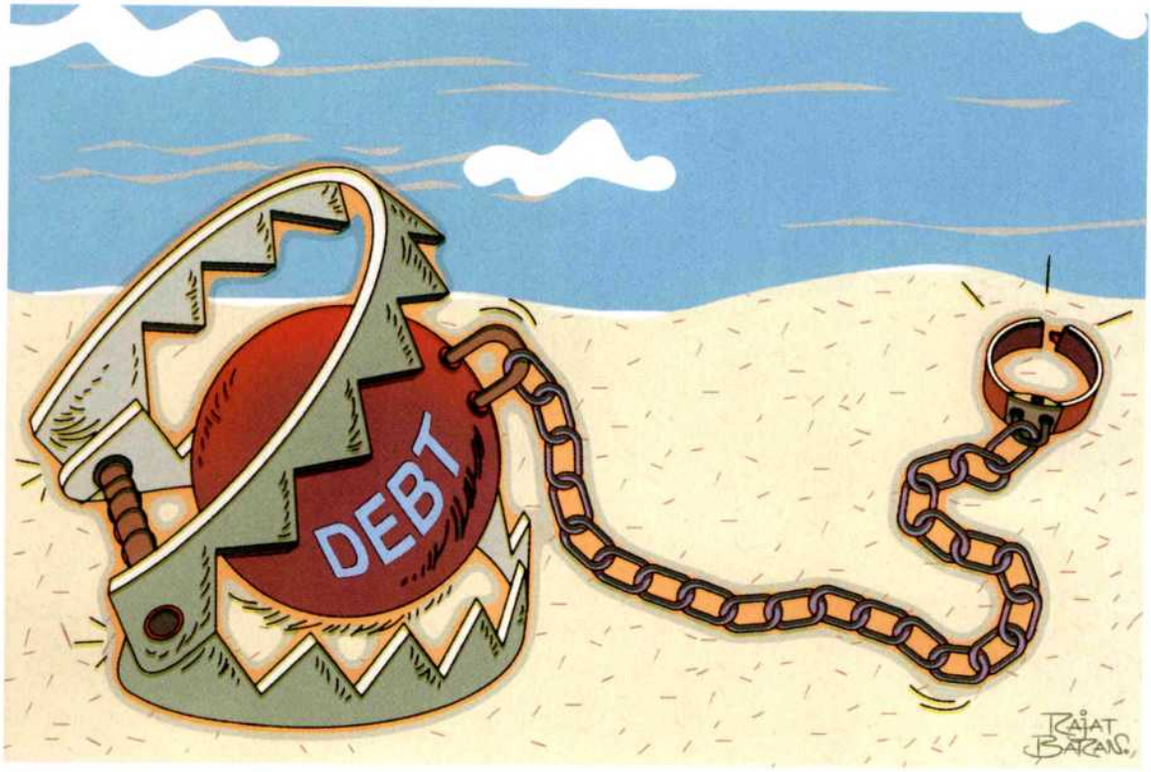


Restless at Redemption

Nearly 100 companies will have to redeem their foreign currency convertible bonds next year. How will they cope? By SHWETA PUNJ

FCCB MANIA

Why companies bought FCCBs

- Foreign currency convertible bonds provide for low-cost debt
- In an ideal market, conversion occurs at a premium
- They lead to lower dilution

The gold-leafed dome of the newly-opened Leela Palace Kempinski in New Delhi gleams in the sunlight. The interior, lit with murano chandeliers from Italy, promises a palatial experience for those seeking to experience royal Indian hospitality.

While the Leela Group's newest property has been especially designed to attract a foreign clientele, its Chief Financial Officer is busy staving off foreign investors.

The market capitalisation of Hotel Leela Venture has nosedived from around ₹2,555 crore in 2007 to about ₹1,600 crore today. It was in the summer of 2007 that the group went ahead and raised $110 million through foreign currency convertible bonds, or FCCBs, at a conversion price of ₹72 a share. Shares of Leela Venture are currently trading at around ₹40 each.

Leela now finds itself on a sticky wicket: its debt is nearly double – 1.85 times – its equity. Its scrip is trading at half the conversion price and $42 million worth of FCCBs will have to be redeemed by April next year.

The hospitality group, known for its opulence and grandeur, is ₹3,800 crore in debt. Of the total $110 million raised through FCCBs, under pressure from investors, the group had to redeem $68 million in 2009.

Says Krishna Deshika, Chief Financial Officer, Leela Group: "We hoped the FCCBs would get converted, unfortunately share prices have not moved, especially in the hospitality sector. Two years back, many investors were selling FCCBs at low prices... we bought them back at a discount."

With a board approval in place, the group is hoping to raise around ₹1,000 crore through a qualified institutional placement, or QIP, and fresh FCCBs. The money, says Deshika, will be used for debt reduction and redemption.

The promoters, including Captain C.K. Nair, the founder of Leela, hold 53.37 per cent in the group. "Our interest is to see that promoters continue to hold a majority stake, but let's see," says Deshika.

Leela is not alone. About 100 Indian companies which took the FCCB route aggressively during the 2006/2008 bull run to raise funds, now find it is payback time. According to a Crisil report, bonds worth ₹31,500 crore are coming up for redemption within the next 24 months. And stock prices of many of the issuers are far below their conversion prices.

"The conversion price was set according to the demand and supply dynamics at that point," says Jagannadham Thunuguntla, Head of Research at SMC Capital. "Companies took the conversion for granted. An FCCB is a double-edged sword."

Reliance Communications or RCOM, too, finds itself in a quandary. As if an investigation into its role in the 2G spectrum scam was not enough, the company had raised $1.27 billion through FCCBs in 2007, which come up for maturity in March 2012. At a conversion price of ₹661, and the stock currently trading at ₹93, RCOM will have to go for redemption.

The stock hit a 52-week high of ₹204 in June 2010, but that too is not even half of the conversion price the company had borrowed at.

An RCOM spokesperson declined to comment on the company's FCCB redemption plan. But Thunuguntla, who has been tracking the company, says: "RCOM will be hit by combo-negatives. Investors will want redemption. On top of that telecom stocks have taken a beating. The big question is: How will RCOM pay $1.27 billion?"

What might rescue RCOM is that it is part of a behemoth – the Reliance Anil Dhirubhai Ambani Group, he adds. The flagship of the billionaire Anil Ambani's conglomerate could get help from the group companies.

Then, RCOM has also drawn ₹8,700 crore from China Development Bank. The largest loan ever between the two countries will be used to refinance the company's short term borrowings. A company release relating to the loan said: "The drawn down amount will be used to refinance RCOM's short term rupee borrowings resulting in substantial savings in its interest cost, apart from extending RCOM's debt maturity profile."

The company also says it has received indicative offers from interested parties seeking to acquire RCOM's controlling stake in Reliance Infratel, its telecom tower unit.

If the sale goes through, RCOM hopes to use the money to reduce its mounting debt. The company reported an 86 per cent drop in its profits for the January-March quarter on the back of lower customer billings. The phone services firm is in a muddle, but analysts are still slightly more optimistic about the fund-raising abilities of big boys like RCOM, than the small and mid-size companies.

Memories of Venus Remedies still worry industry watchers. In 2009, US-based hedge funds DE Shaw and Citadel Investment Group filed a winding-up petition against the

Flight of FCCBs

Company	Maturity Date	FCCB Issue Amount ($ million)	Conversion Price (₹)	Current Price* (₹)
Uflex	Mar. 9, 2012	85	164.02	194.65
3I Infotech	Apr. 3, 2012	30	154.32	49.25
Hotel Leela	Apr. 25, 2012	110	72.00	40.40
Suzlon Energy	Jun. 12, 2012	300	371.55	53.25
Reliance Comm.	Mar. 1, 2012	1,270	661.23	93.70
Subex	Mar. 9, 2012	180	656.20	66.65
Jaiprakash Asst.	Sep. 12, 2012	400	111.75	86.35
JSW Steel	Jun. 28, 2012	325	953.40	965.45
Bharat Forge	Apr. 28, 2013	39.9	690.32	318.95
Firstsource	Dec. 4, 2012	275	92.29	19.35
Moser Baer India	Jun. 21, 2012	75	363.96	41.90
Tata Motors	Jul.12, 2012	490	930.94	1,079.45

* Closing price on BSE as on June 1, 2011

Source: SMC Capital and BSE

Chandigarh-based Venus Remedies after the company defaulted on an FCCB issue.

A winding-up petition is filed to initiate liquidation proceedings against a company.

DE Shaw and Citadel had subscribed to a $12 million FCCB issue of the company in May 2006. The share price fell below the conversion price, and the company failed to pay the investors when it came up for redemption.

After months of negotiations, and directions from Punjab and Haryana High Court, Venus Remedies and its FCCB holders reached a settlement. According to it, the company would pay a part of the outstanding FCCB, and the FCCB holders would withdraw the winding-up petition.

The case of Venus Remedies stands out in the short history of FCCBs in India. FCCBs as an investment instrument are old, but nearly 70 per cent of the FCCBs currently held by Indian companies were issued only about five years ago – during the euphoria of the bull run.

No doubt the tardy Indian legal system will work as deterrent for investors who would want to consider filing a winding-up petition.

But as the maturity date nears, many companies have either already begun negotiations – usually asking for more time – or started the buyback process.

Uflex Industries, a flexible packaging company, raised $85 million through FCCBs in 2007 at a conversion price of ₹164. With the maturity date less than a year away, the company has started buying back the bonds. It redeemed $50 million worth of bonds in 2009 and another $2 million worth in 2010.

Ravi Kumar Jain, Chief Financial Officer at the packaging major, says: " We were expecting the share prices to go up, but with the global economic crisis, FCCB investors were desperate to sell, so we redeemed the bonds at a 45 per cent discount of the face value."

BANDEEP SINGH/www.indiatodayimages.com

Anil Ambani's RCOM raised more than $1 billion through FCCBs in 2007, which will come up for redemption in March 2012

Adani Enterprises, the flagship of the Adani Group, decided to go for a conversion of $250 million of FCCBs in the second quarter of 2010/11, more than a year before the maturity date. "As of today, none of the FCCBs is outstanding," says a company spokesperson.

While companies such as Uflex are cautiously treading the FCCB redemption path, those like Suzlon are confident of sailing through.

The wind turbine maker has had the wind taken out of its sails. Suzlon raised $300 million through FCCBs in 2007, at a conversion price of ₹359 – later restructured to ₹97. The bonds are set to mature in June 2012 and October 2012.

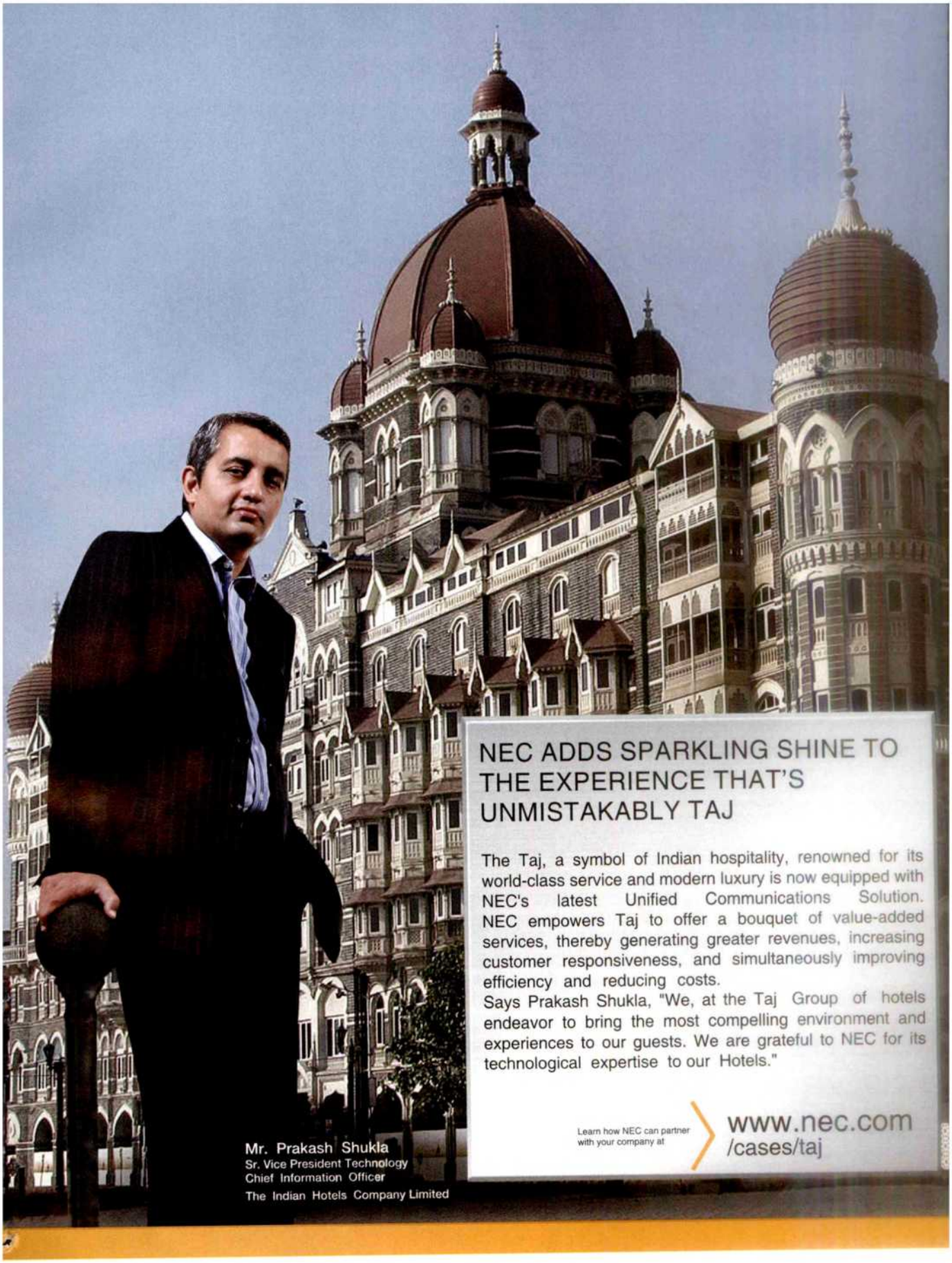
With a current debt to equity ratio of 1.36, down from 1.5, and the stock trading at about ₹53, there is looming concern over Suzlon's plan. The green energy major reported a sharp turnaround in the March quarter, but the stock has mostly remained flat so far.

Overconfidence and exuberance might have marred the FCCB story of Indian companies. As Girish Vanvari, Executive Director, KPMG, says: "Three years ago, premiums were higher than domestic prices and FCCBs were hot. With the euro crisis, and the market correction deeper than anticipated, companies are exploring other ways to raise funds. Nobody I know is looking at FCCBs now – companies are looking at raising funds through QIPs and selling stake."

Chennai-based Orchid Chemicals & Pharmaceuticals recently raised ₹1,500 crore through external commercial borrowings, or ECBs, to redeem FCCBs. The pharma company was finding it difficult to raise debt at competitive rates in India. Still, those advising companies on fund raising say Indian banks will be wary of lending in such cases, since, as Thunuguntla points out, "Purpose and amount, both are challenging."

More and more companies, like Orchid Chemicals, could take advantage of the recently-liberalised ECB norms. ECBs might give companies some breathing room for now, but these borrowings could come at an interest rate of one to five per cent over the London Interbank Offered Rate – the world's most widely used benchmark for short-term interest rates.

As Thunuguntla puts it, "The ECB route is postponement of the problem, not the solution. The debt-to-equity ratio will get more stretched." ◆



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Unfare Battle

Air India slashes fares and hits private carriers hard, but international operations could come to their rescue.

By GEETANJALI SHUKLA

As if the prospect of aviation fuel prices rising sky high following the prolonged crisis in West Asia was not enough, private airlines find themselves facing a new and unexpected threat. Traditionally bureaucratic and sluggish, beset by internal problems, state-owned carrier Air India has suddenly stirred and resorted to aggressive pricing.

The airline industry had been slowly recovering after a rough time in recent years, when the economic downturn coupled with rising fuel prices – and the government's unwillingness to provide any tax concessions at the time – played havoc with its financials. "Until December 2010, we thought Jet Airways was

VIVAN MEHRA/www.indiatodayimages.com

well on course to show profits in the fourth quarter of 2010/11," says Kapil Kaul, CEO, South Asia, Centre for Asia Pacific Aviation, or CAPA. "But two developments – the 50 per cent increase in fuel prices, and predatory pricing by Air India in the fourth quarter – meant we had to revise our outlook." Ultimately, Jet Airways posted a loss of ₹125.50 crore in the fourth quarter of 2010/11, after having been profitable during the three earlier quarters. A company release attributed the losses to increasing fuel costs as well as some one-time expenses, but during a conference call with financial analysts after the earnings announcement, the airline admitted losing out on fliers to Air India and having to lower fares in response.

Low-cost carrier SpiceJet's fourth quarter numbers too have been dented by Air India's pricing strategy: it reported a loss of ₹59 crore, compared to a profit of ₹27 crore in the year-ago quarter. "The magnitude of our loss would have been smaller had the competition followed some pricing discipline," the carrier's management said in a statement.

Air India's daring gambit has already paid dividends: it is the only airline whose load factor – the ratio of passengers carried to seats available – rose in April, to touch 68 per cent against 61 per cent in March. The spike occurred despite the fact that traditionally April is a lean month for airlines. Though officially the airline will not comment, a senior staffer, on condition of anonymity, is frank. "We would not use the term 'discount pricing' to describe our recent fare adjustments," he says. "We are merely trying to price ourselves competitively. When Air Deccan was offering fares of ₹1 and ₹100 some years ago, no one said anything. So why are voices raised now?" According to CAPA's Kaul, the airline's average fares were between 20 to 30 per cent lower in the last quarter of 2010/11.

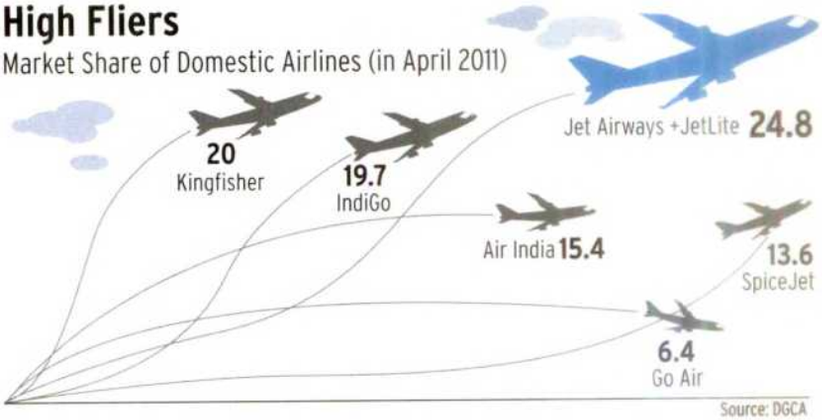
Buoyed by the success of the move, Air India cut fares for a second time in early May, shortly after the 10-day strike by its pilots ended. The second reduction was a temporary, 10-day special offer – primarily aimed at winning back fliers it had lost due to the strike – but it saw Air India's average load factor rise to 80 per cent for the duration of the special fares. The Air India official points out that the very private airlines that are complaining about the national carrier's tactics had raised fares during the strike, knowing prospective fliers had no choice but to pay. "Private carriers increased prices in those 10 days," he says. Bringing down fares was necessary, he believes. "After the strike we had to play the role of price stabiliser," he says. "We lowered prices not only to bring back demand, but also to rationalise fares." Between April and mid-May, the airline even introduced discounts on tickets booked two or three days before the day of departure. Says Kaul: "Airlines' yields are maximum two or three days before departure, and such discounts are affecting industry-wide yields."

Most analysts tracking the sector predict a good first quarter for airlines in the new financial year, but add that the discount pricing by Air India remains a risk. They are convinced that Air India will persist along the path it has taken, since it is so deep in the red. Answering a question in Parliament in March this year, Civil Aviation Minister Vayalar Ravi said the national carrier's daily losses were ₹19 crore in 2010/11. Its accumulated losses, he said, were around ₹13,300 crore. Since then, in the first two months of this financial year, the airline has lost another ₹3,000 crore.

How are the private airlines faring in the face of this new threat? Market leader (see *High Fliers*) Jet Airways, which has 24.8 per cent of the domestic market, is trying hard to ensure a profit in the first quarter of 2011/12. It hopes to earn around $81 million (₹364 crore) from developing land it owns in Mumbai's Bandra-Kurla Complex, and another $200 million from the sale and lease back of aircraft. It is also betting on its low-cost subsidiary, Jet Konnect, being able to practice flexible pricing – operate in low-cost carrier mode when demand is low but go full-service each time it rises. At the conference call with analysts following its

High Fliers

Market Share of Domestic Airlines (in April 2011)



Source: DGCA

SANTOSH

Hard Struggle

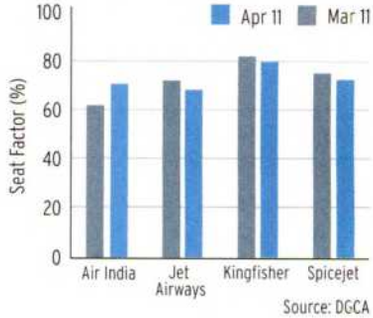
The recent financial performance of Jet Airways, Kingfisher and SpiceJet

		Q4 FY11	FY11
JET AIRWAYS	OPERATING REVENUES	3,729.5	14,737.2
	OPERATING PROFIT	316.9	2,709.9
spicejet	OPERATING REVENUES	758.8	2,934.4
	OPERATING PROFIT	49.7	544.2
KINGFISHER AIRLINES	OPERATING REVENUES	NA	6,360
	OPERATING PROFIT	NA	1,124

Note: All figures in ₹ crore

The Maharaja's Gambit

Aggressive pricing has raised Air India's passenger share

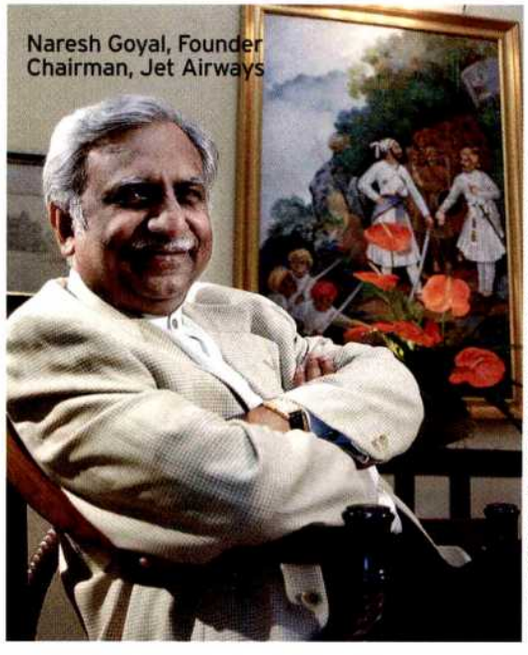


Source: DGCA

results' announcement, the airline acknowledged that ticket prices could increase if oil prices rose further, but added, "Pricing will depend on everybody having the same mindset".

Vijay Mallya's Kingfisher Airlines, the second largest carrier after Jet with 20 per cent of the market, did not reveal detailed quarterly numbers, but has reported an operating profit of ₹140 crore for 2010/11, against a loss of ₹690 crore the previous year. It has also managed to restructure its sizeable debt by giving creditors equity in the company for a premium. It also plans a Global Depository Receipts issue later this year to raise between $250 million and $300 million.

But the immediate future is far from rosy. The April to June quarter is traditionally a weak one for domestic airlines, when travel decreases. "Load factors are likely to drop five to 10 per cent during this period," says Himanshu Singh, Managing Director, Travelocity India, an online travel portal. "Fares will have to be cut to stimulate demand. Depending on the sector, fares are likely to fall 10 to 30 per cent." The impact of such cuts, on the back of the pricing war, is bound to be adverse on both the top and bottom lines of private airlines. So will the carefully crafted plans of the private airlines to get over their accumulated losses go on smoothly?



Naresh Goyal, Founder Chairman, Jet Airways

BHASKAR PAUL/WWW.INDIATODAYIMAGES.COM

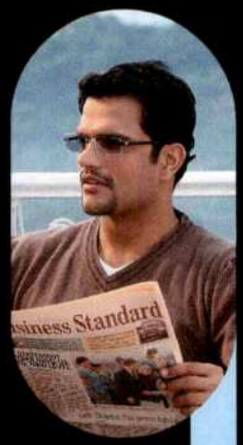
International operations could well turn out to be Jet Airways' saviour. Its flights abroad contributed 58.2 per cent to its total revenues in the last financial year, while profit margins too were much higher

Fortunately there is one silver lining: the international sector. "The international sector performs better in the first quarter, and that should balance out the issues on the domestic front," says Mahalingam Shivkumar, Senior Vice President, Finance, Jet Airways. Already foreign operations contributed 58.2 per cent to Jet's total revenues in the last financial year, while profit margins too were much higher – a sizeable 16.2 per cent on international operations, compared to a mere three per cent for the same period in the domestic sector.

Having recently obtained approvals to expand its international operations to Amsterdam and Paris as well, Jet's presence in foreign skies is only set to grow. With many of the heeled holidaying abroad in summer, international flights are helping it escape the heat of the domestic market. "It is important for full-service carriers in India to have international operations as they can benefit from balancing their domestic and international revenues," says Singh of Travelocity. ◆

morning

light



lunch break
light

sunset
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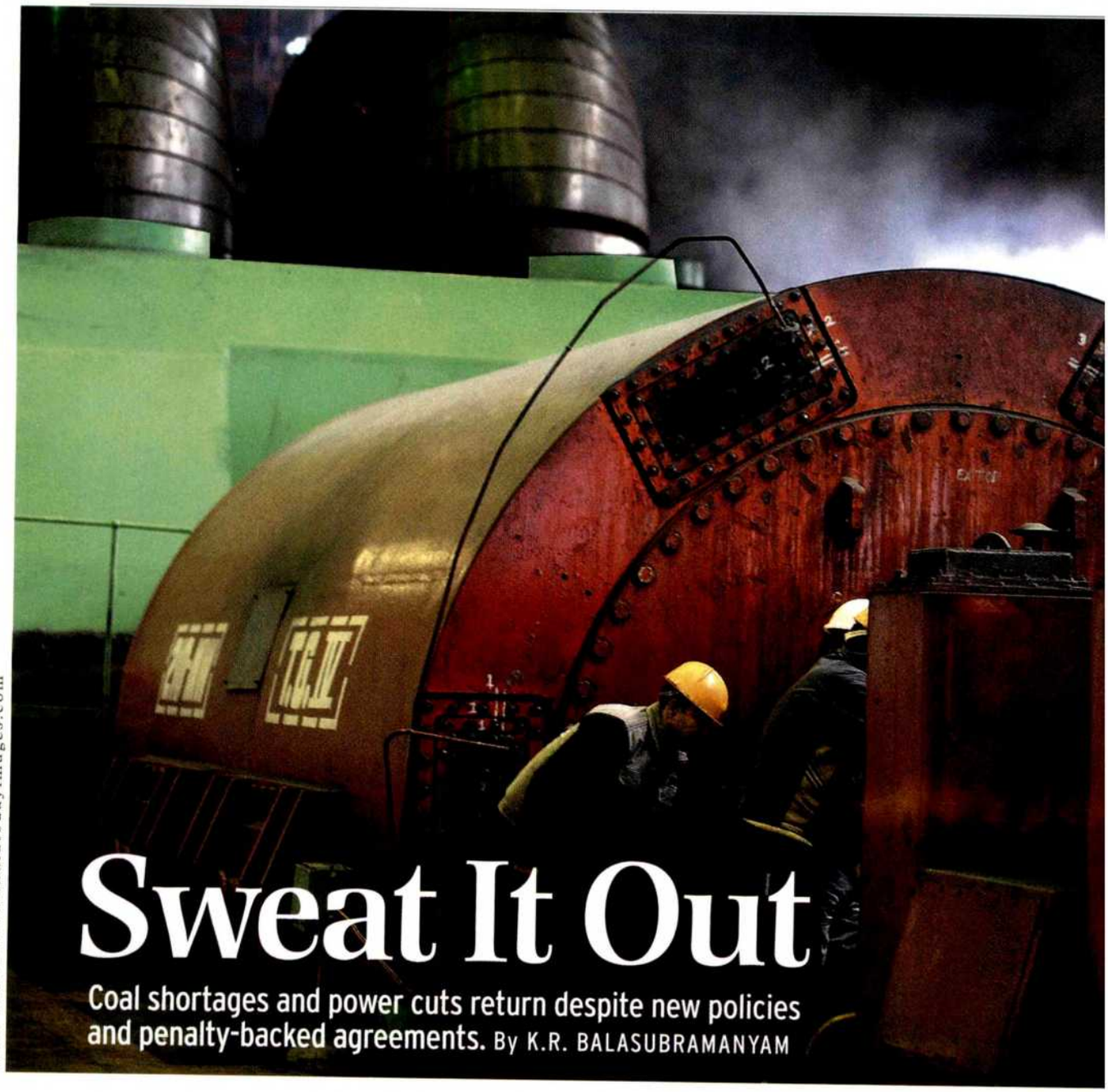

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Sweat It Out

Coal shortages and power cuts return despite new policies and penalty-backed agreements. By K.R. BALASUBRAMANYAM

Three years ago, the Karnataka government had planned a 1,600 MW project in the coal-rich state of Chhattisgarh, and two separate stations with a combined output of 2,400 MW in its own Raichur district. But the coal ministry has not allotted coal-mining blocks and the projects remain on paper. "We need them badly as we have promised quality power supply to all new projects that were signed at last year's global investors' meet," says Shobha Karandlaje, Karnataka's Energy Minister.

Delays in allotment of coal blocks casts shadow on the already bleak power situation. Industry bodies blame Coal India Ltd ,or CIL, the state-owned coal giant, for the shortage. CIL says it has 64 million tonnes, or m tonnes, of coal waiting at the pitheads, and blames Indian Railways for not supplying the rakes required to move the coal to the power plants.

India's power generation fell short of target by 43.2 billion units last year, according to Central Electricity Authority, or CEA. The coal shortage and project delays accounted for about a third each of the shortfall.

In April, the country's 100-odd coal-fired thermal stations got a total

Running out of Steam: Workers at Badarpur power station in Faridabad

PRECARIOUS POSITION

Overall situation at the 100 coal-based power stations on random days in the last three summers

Date	Critical	Super Critical
April 30, 2011	28	10
August 1, 2010	24	14
July 1, 2010	30	9
June 1, 2010	29	13
August 2, 2009	32	15
July 1, 2009	30	12
June 1, 2009	32	18
May 3, 2009	30	15
August 3, 2008	42	23
July 7, 2008	32	19
May 1, 2008	25	12

Critical: Stock for less than a week
Super Critical: Stock for less than four days

Source: Central Electricity Authority

of 32m tonnes of coal, 4m tonnes short of what they needed. At April end, 28 power stations had stocks for less than a week and 10 of them for fewer than four days. In January, the situation was worse: of 32 plants with stocks of less than a week, 18 had enough for just four days.

Feeding a thermal power plant is not a just-in-time operation: stocks of three weeks are considered safe. For example, the Raichur Thermal Power Station in Karnataka has eight 210 MW units and each unit burns around 3,600 tonnes of coal a day. Indian Railways has to deploy a rake – 59 wagons carrying a total of 3,850 tonnes – to feed just one such boiler.

Ideally, eight rakes loaded with coal should reach the plant every day to keep all the units going. In May, the power station, owned by the Karnataka Power Corporation, was getting four to five rakes a day. It was worse two years ago, at about the same time of year: the daily arrivals had dropped to two rakes.

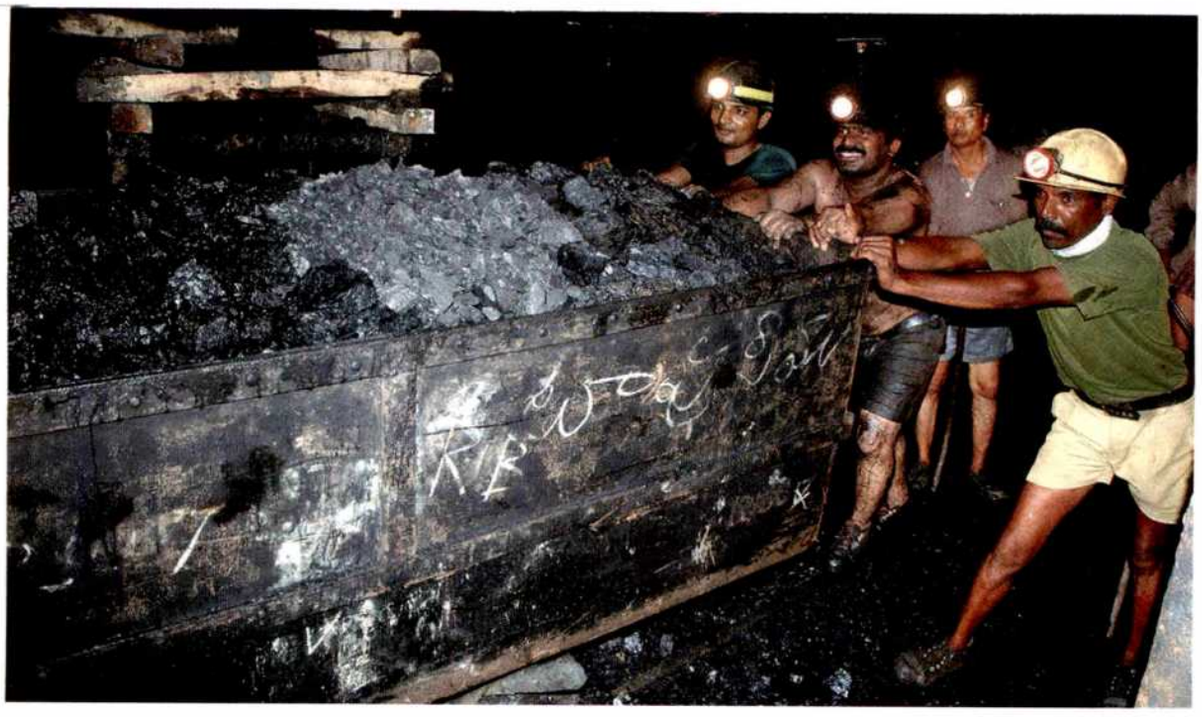
India is the world's third-largest producer of coal, with three-fourths of production going into thermal power generation. The CEA fears that thermal plants will face a shortfall of 54m tonnes this year, and has advised power companies to import 35m tonnes of coal. (Imported coal has more of useful heat value, or UHV, than Indian coal, so smaller quantities yield the same energy.) The CEA has forecast overall coal availability this year at 554 m tonnes, against a demand of 696m tonnes.

CIL faces other glitches that affect supplies. Production drops during the summer's searing heat in the mining belt. Localised disturbances often disrupt coal movement. But its biggest worry is the shortage of wagons. Under a memorandum of understanding with the coal ministry, CIL has to produce 452m tonnes of coal this year, and ensure that it reaches consumers. CIL has agreed – on condition it gets the 175 rakes it needs every day at its mining subsidiaries. Last year, the daily average availability of rakes was 161.

"In peak season, our requirement goes up to 190 to 200 rakes a day, which we are not getting," says H.K. Vaidya, CIL's Chief General Manager, Sales and Marketing.

Indian Railways says wagons are not a problem. "Coal India talks of pithead stocks, but we pick up coal from rail-heads, which are often 10 to 40 km away from pitheads," says the Railway Board spokesperson. "It is Coal India's job to reach the coal to the rail head."

Analysts at equity broking firm Angel Broking also say the environment ministry's go-and-no-go demarcations of coal mining areas, as well as its insistence that mining



Slowdown: Mine workers push a coal cart inside a mine in Dhanbad, Jharkhand

areas remain within specified limits of the comprehensive environment and pollution index are hampering production volume growth. The brokerage notes: "Lower availability of railway rakes for the supply of coal remains a concern for CIL."

CIL, however, dismisses industry allegations that it diverts coal meant for power stations to the more lucrative e-auctions, Internet-based bidding systems that allow it to bypass the notified prices for a 10 per cent slice of its production.

"If we don't auction our stocks, they only keep piling up," says Vaidya. CIL has sold 6m tonnes through e-auctions since April 1 this year, getting a 60 per cent markup on the notified prices.

CIL has also entered into fuel supply agreements with all big buyers under which both sides face penalties for reneging – CIL for supplying less than the contracted amount, and the buyer for not lifting stocks it had committed to purchase. Apart from land acquisition, CIL and other players that have their own mines face tougher challenges in getting environmental clearances. For example, NTPC, the power giant whose installed thermal capacity accounts for a fifth of India's total, received Stage II clearance for its first coal mine block at Pakri Barwadih in Jharkhand last year, four years after it applied. Its hurdles are not over, it must now acquire 9,206 acres of government, private and forest land.

Roadblocks

- Acquiring land for coal mining from locals
- Getting clearances from Ministry of Environment and Forests
- Shortage of rail rakes

Way Forward

- Attractive relief & rehabilitation packages in return for mining land
- Commercial mining of coal
- Acquiring coal mines overseas

Till the beginning of the year, NTPC had been able to acquire just 58 acres.

To meet the coal shortfall, the government has been encouraging companies to acquire coal blocks abroad and use more of imported coal. But thermal power plants in India have boilers designed to burn Indian coal, which contains 40 to 50 per cent of ash or minerals that do not burn to yield energy. These boilers cannot handle a blend in which more than 15 per cent comprises the lower-ash imports. .

If domestic coal production has to keep pace with demand, it must grow at about nine per cent annually. To reach the target, the coal ministry is also now considering commercial mining, with pricing linked to demand. Coal minister Sriprakash Jaiswal, at a recent event, hoped that the initiative would let the sector develop, spur competition and result in better pricing of coal.

Will the solutions work? Summer of 2012 will tell. ◆

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Rivals, yet partners

The Zee-STAR deal could be a game changer. By ANUSHA SUBRAMANIAN

The coming together of arch rivals Subhash Chandra's Zee Entertainment and Rupert Murdoch's STAR India to create a distribution company will have a lasting impact on the TV distribution landscape. The joint venture, called Media Pro Enterprises, will help drive addressability and digitisation, and improve the economics of the TV distribution industry.

Media Pro, a 50:50 JV between STAR DEN Media Services and Zee Turner, will distribute 68 channels, including both firms' flagship Hindi general entertainment channels and their top movie and regional channels. STAR DEN Media Services is an existing 50:50 distribution tie-up between STAR India and DEN Network while Zee Turner is a 74:26 joint venture between Zee Entertainment and Turner International India.

"In the past, there was a lack of perspective among broadcasters. The coming together of the two giants will lead to a consensus around a growth blueprint for the electronic media industry," says Uday Shankar, CEO, STAR India. Punit Goenka, MD and CEO, Zee Entertainment adds the deal will also hasten the transition from analogue to digital distribution, which has to be completed by 2014.

Industry observers say what has also brought the two giants together is a bid to stem the increasing piracy in the system. "The motive is to increase declaration by cable operators," says Vivek Couto, Executive Director, Media Partners Asia, a Hong Kong-based media research firm that tracks the Indian media industry. Many local cable operators, or LCOs, are said to conceal their actual number of subscribers, so as to avoid paying distributors – or multi-system operators, or MSOs, as they are called – their full share of user fees.

The TV broadcast space is rife with problems. Broadcasters have been struggling in a bandwidth-choked environment where carriage fees – or the fees they pay MSOs – keep rising. On the other hand, because of under-declaration, subscription revenues from analogue cable have been growing at a snail's pace. In 2010/11, STAR-DEN earned revenues of about ₹1,000 crore while Zee-Turner clocked around ₹800 crore. Media observers do not see any major revenue increase in the short run, but feel the deal will have deeper impact in about a year and a half. "In terms of carriage revenues, this JV will not have any material impact. Given the reach of STAR and Zee, they have a relatively lower payout of carriage," says Nikhil Vora, Managing Director, IDFC-SSKI Securities.

Some view the JV as consolidation in the broadcast industry that has the power to marginalise the smaller players. "It will increase the cost for the consumer and also lead to cartelisation as these players have the most popular channels. Now they can dictate terms," says Roop Sharma, President of industry body Cable Operators Federation of India. Shankar and Goenka, however, dismiss such fears.

"The industry could gain if there is consolidation across the value chain and consumers are enticed to pay more," says Couto of Media Partners. In United States, Japan, Taiwan and Korea, consolidation in the cable industry has already taken place, with one or two large MSOs controlling each metro.

"We don't see the JV disrupting the trade for other organised MSOs like Hathway. It will improve the profitability of the entire value chain by targeting the LCOs," says Vora.

Before Media Pro, there were four major broadcasting bouquets – the other two being Sony One alliance, which distributes 18 channels, and the newly formed Sun18 Media, a JV between Viacom18 and Sun Network, which distributes 33 channels. So is this alliance open to other broadcasters? Says Goenka: "We welcome anybody who shares our vision." But he adds: "From an equity perspective this is limited to STAR-DEN and Zee Turner. We are not looking at any other equity partners."◆

Giants Shake Hands

Ownership pattern of the new distribution company

The new entity will be led by Zee group's Arun Kapoor as CEO and STAR DEN CEO Gurjeev Singh Kapoor as COO

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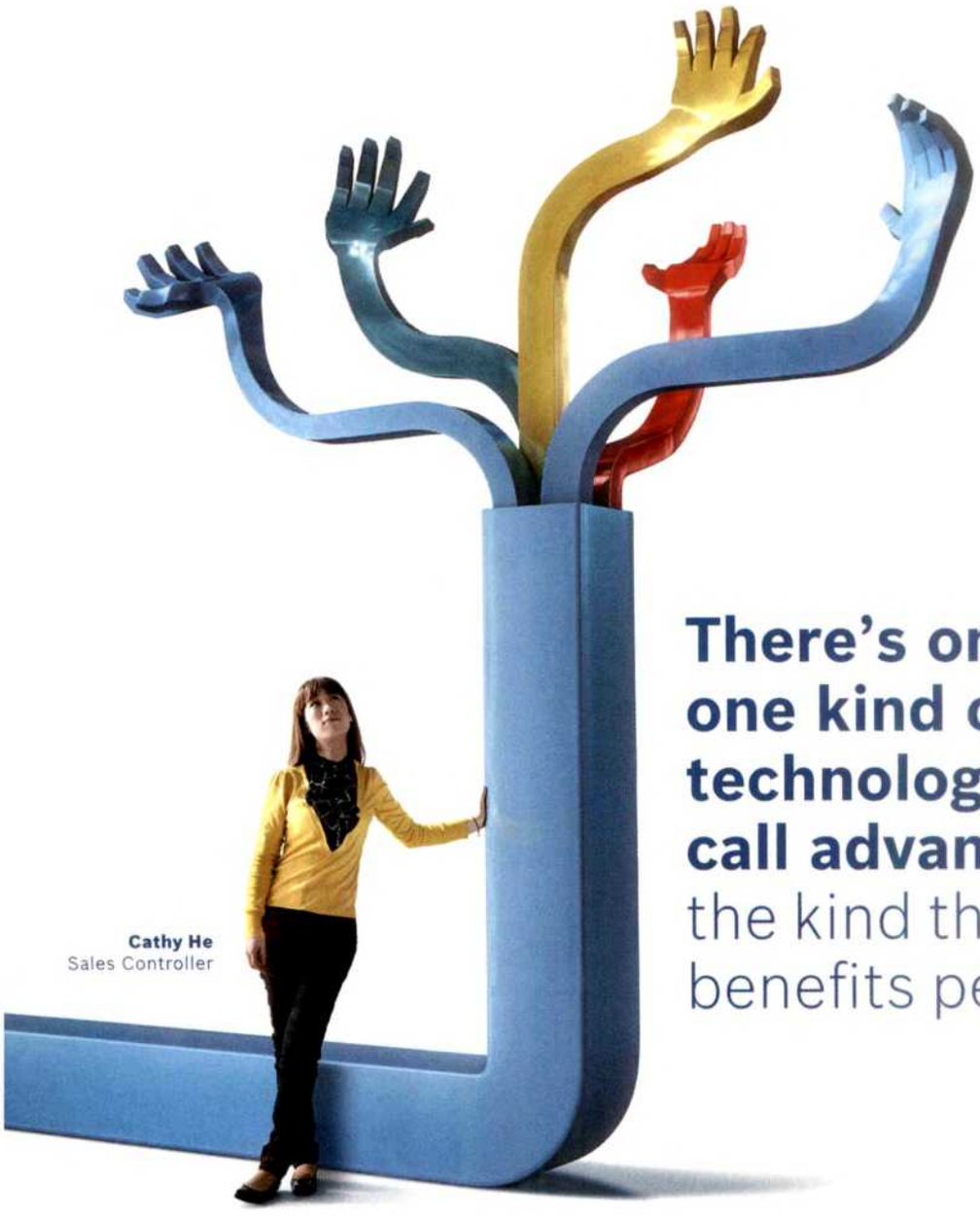

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here has never been a better time to be an entrepreneur. Venture capitalists are lining up outside the offices of anyone with what seems a good, bankable idea or product. The business media diligently reports on promising start-ups.

This was not always so. Until recently, no firm was taken seriously unless its top and bottom lines had crossed several zeroes. Except by *BT*, that is. We have been telling the stories of India's more innovative start-ups for years.

The current list, like all previous ones, was finalised after weeks of banging heads together and scores of emails going back and forth. Our criteria for considering a company were only two: it should have started after January 1, 2007, and generated some revenue from what

Business Today's fifth annual listing of new companies most likely to shine in coming years.

promises to be a stellar product or service.

Every such list is bound to be subjective. To balance our enthusiasm, we asked two independent observers, Sasha Mirchandani, Co-founder of Mumbai Angels, and Sahad P.V., Editor of VC Circle, to judge our 10 choices and comment on their prospects. Each start-up report carries a rating – the average of the marks on a scale of 10 – given by Sahad and Mirchandani. ◆

KUSHAN MITRA

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Wealth is Health

Why don't most Indian dentists flourish the way their American counterparts do? The question intrigued MBA student Visham Sikand, now 33, so much he took six months off to find out, and wrote a research paper on it. The reason, he discovered, lay in insurance: unlike Americans, very few Indians had dental insurance and thus hesitated to visit a dentist, fearing the costs involved.

Despite his obvious interest in health care, Sikand initially opted for a conventional career after completing his MBA in 2002. He worked with auto major Maruti Suzuki, Standard Chartered and ABN AMRO banks, and started Plat5 Consultancy, which cross-sold banking products. It was only in 2008 that, having roped in two friends, Sunando Sen and Shailesh Ahluwalia, he set up the Indian Health Organisation, or IHO, to offer affordable health services to the masses.

IHO offers health services packages at premiums much lower than the mainstream insurance firms – and still manages to make a healthy profit. Its 'family plan', for instance, covers an entire family for as little as ₹4,500 a year and includes, apart from hospitalisation expenses, free

Indian Health Organisation

FOUNDED IN: 2008

FOUNDERS: Visham Sikand, Sunando Sen, Shailesh Ahluwalia

WHAT MAKES IT COOL: Has taken affordable health services to the masses. Rakes in profits through its unique business model

RATING

5.5

MIRCHANDANI'S TAKE: It seems to be going the extra mile that insurance companies do not. It has the potential to become a powerful tool for consumers. Attractive market opportunity, but execution will be difficult.

In fine fettle: Sikand (lying); (in black suits) Sen (L) and Ahluwalia

health check ups and discounted rates at select pathology labs and pharmacies. "Under IHO, you get a 25 per cent discount at all Religare Labs, among others," says Sikand, who is pursuing an executive programme at Harvard Business School.

Today, IHO has a network of more than 4,500 doctors in 20 cities. Among its partners are ICICI Prudential, HSBC and SpiceJet, while its agents include Birla Money Mart and Destimoney Securities.

In barely three years, IHO has achieved a $4 million (₹18 crore) turnover. Sikand, who holds a majority stake in IHO, wants to cover every aspect of health in the next two years. "We could offer customers better rates even for gym membership and plastic surgery," he says.

ANAND ADHIKARI

Portable Data Vault

In January this year, 8,000 laptop users at PricewaterhouseCoopers, India, got a small software update. To help protect and back up critical data, the management consultancy had installed Druva inSync, a software package developed by a trio of first-time entrepreneurs: Jaspreet Singh, Ramani Kothandaraman and Milind Borate.

Druva's target is a $400 million market for data back-up services. Technologically, backing up laptops is much harder as compared to desktops and servers because laptops are not confined to a fixed location. "It calls for a specialised solution, which is bandwidth efficient, easy to use and completely non-intrusive to the user," says Singh, Druva's CEO.

The road to success was long and hard for this Pune-based firm. It did not have a single customer for a year after it started in 2007. But the founders used that time to add muscle to the product, by devising a technology called data deduplication, which hastened the back-up process. The result was a 90 per cent saving in bandwidth, time and storage.

Today, Druva has around 650 customers, including HDFC Bank and ICICI Bank in India, and the Marine Corps and NASA in the United States. It gets around 35 per cent of its revenues from the US and 40 per cent from Europe, where it counts Siemens and Schlumberger among its clients.

RAHUL SACHITANAND

Druva inSync

FOUNDED IN: 2007

FOUNDERS: Jaspreet Singh, Ramani Kothandaraman, Milind Borate

WHAT MAKES IT COOL: Succeeded in a short span in a field dominated by heavyweights. Built up an enviable client list spanning continents

RATING: 8

MIRCHANDANI'S TAKE: It is present in a segment which is seeing a lot of activity. The key to its performance will be staying ahead of the competition. The market has a lot of potential and the products are global in nature.

Security concerns: Jaspreet Singh

Poor Man's Banker

Fewer than 360 million of India's 1.2 billion population have bank accounts. In contrast, there are 800 million mobile connections in the country. In early 2007, brothers Abhishek and Abhinav Sinha came up with a brainwave: why not try and extend banking services on mobile phones to those who do not have accounts?

This was the spark that began EKO India Financial Services, which today enables its 150,000 customers to save and transfer money through their mobiles. All they need to do is visit one of EKO's 1,500-odd retailers. The firm uses back-end servers that are integrated with the core banking system of State Bank of India. "The cell phones of customers and retailers act as debit cards and points of sale devices, respectively," says Abhishek.

With a wafer-thin margin of 0.025 per cent – 25 paise on ₹1,000 – EKO needs to keep scaling up. In 2010/11, it had transactions of around ₹1,200 crore.

MANU KAUSHIK

EKO India Financial Services

FOUNDED IN: 2007

FOUNDERS: Abhishek Sinha, Abhinav Sinha

WHAT MAKES IT COOL: Enables those without regular bank accounts to save, transfer funds via mobiles

RATING

7.5

SAHAD'S TAKE: The company is in a good space of financial inclusion. It helps unbanked migrant workers transfer money through mobiles. It has the early mover advantage. There is a huge need for this service.

VIVAN MEHRA/www.indiatodayimages.com

Mobile difference: Abhishek (L) and Abhinav Sinha

Pay your taxes: Ankur Sharma

SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

Online Relief in Taxing Times

Taxspanner is a typical garage start-up. Three engineers attended the same college in Delhi before going abroad to work with large information technology firms, saved money and then huddled together back in India to start their own venture.

Ankur Sharma, Manoj Yadav and Sumit Grover hit upon the idea of starting an online portal to help taxpayers file their returns and roped in chartered accountant Sudhir Kaushik later. "As part of its e-governance initiative, the Income Tax Department was trying to build e-filing systems in 2006," says Sharma, Taxspanner's CEO. "E-filing by companies had already begun, but not by individuals. Looking at the sheer size of the market, we decided to take the plunge." India has around 40 million taxpayers and the number is rising by 15 per cent annually.

With an initial investment of ₹40 lakh, the portal began operations in July 2007. Within a year, over 25,000 individuals had filed their returns through Taxspanner. The number has been doubling every year since then and currently stands at 250,000. "For a typical employee, filing tax returns is often a cumbersome task," says Sharma, adding: "Our clutter-free website takes away the pain and reduces the time taken."

Though there are around 10 similar websites currently, Taxspanner is the only one that offers online tax filing for self-employed individuals as well. It also has a strict privacy policy that prevents cross-selling client information to financial services firms, as many of their rivals do to increase revenues. Also, it has created an online depository where users can store their tax-related documents for a maximum of eight years.

Taxspanner is also targeting corporate clients in a big way. It has tied up with over 500 companies such as Punjab National Bank, American Express, Google and Accenture, and plans to double the number by 2013.

MANU KAUSHIK

Taxspanner

FOUNDED IN: 2007

FOUNDERS: Ankur Sharma, Sumit Grover, Manoj Yadav, Sudhir Kaushik

WHAT MAKES IT COOL: Makes filing tax returns easy. Has acquired 250,000 clients in just four years

RATING 6.5

SAHAD'S TAKE: Market opportunity looks good. However, there are a number of tax filing websites. There will also be competition from the neighbourhood accountants. May need a diversified strategy to succeed.

Jobs Aggregator

He has had a chequered career so far, but with StaffOnContract, Chetan Indap, 43, may well have arrived. Set up in January this year, StaffOnContract is just what its name signifies – the first job portal in the country devoted exclusively to those who want to work – or hire – on contract. It already has 2,000 independent consultants listed. Around 650 small and medium industries have also put up their staff strength – and immediate requirements – on the site.

StaffOnContract's unique features include a rating of the consultants listed by previous companies they worked for, as well as a special section listing differently abled persons, senior citizens and international exchange students looking for contractual assignments. Starting with an initial investment of under ₹10 lakh, Indap has since obtained seed funding of ₹30 lakh, and is in talks with angel investors for another ₹2.5 crore. He is targeting revenues of ₹25.5 crore by 2016.

StaffOnContract

FOUNDED IN: 2011

FOUNDER: Chetan Indap

WHAT MAKES IT COOL: It is the first B2B job portal for deploying IT staff on contract basis

RATING

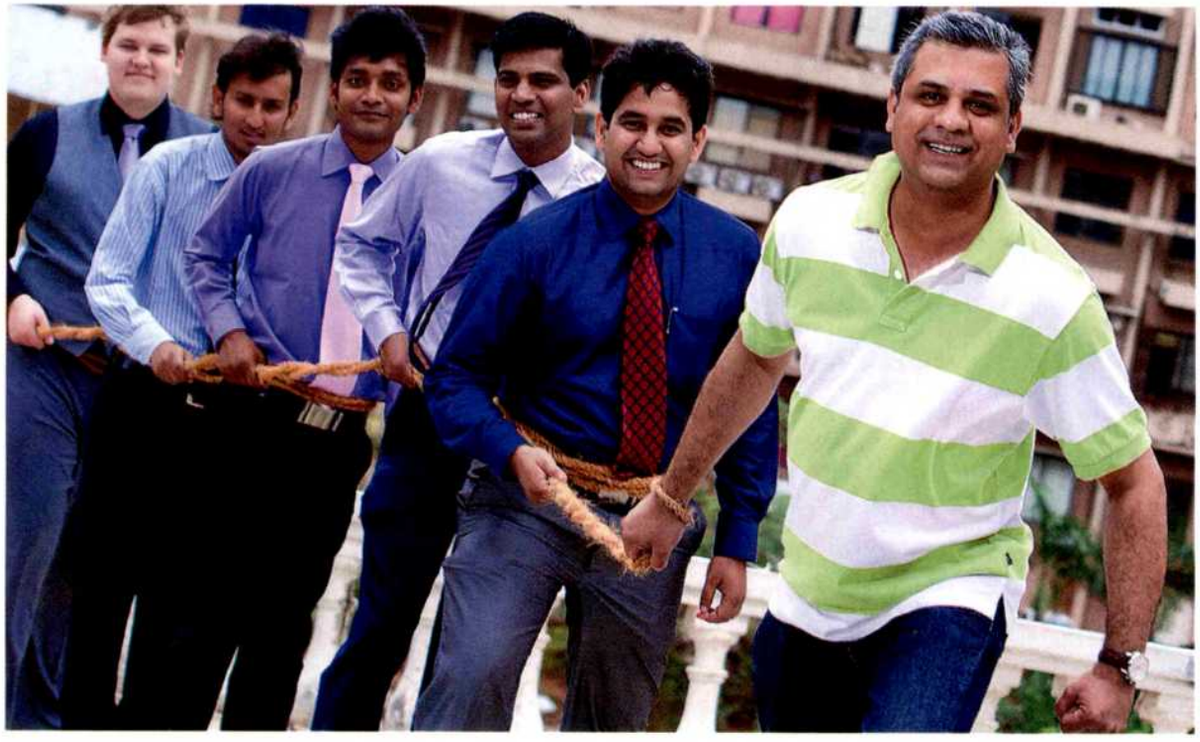
6.5

SAHAD'S TAKE: Should work in India as IT consultants on contract are a need. Scalability may be a challenge. There are also other players in this business so it depends on how big a database of consultants he can create.

"I've tried many things in life," says Indap. "Succeeded at some, failed at others." He has worked as an independent management consultant, while earlier entrepreneurial ventures include a dish antenna manufacturing firm called Lazer Network Communications and a recruiting company called 9am Sourcing. In 2005, he also helped his wife on a start-up which provided early childhood education, called Phonickids.

Nearly two decades ago, when he was still an employee, working with HCL Technologies, Indap shared his entrepreneurial dream with a senior. Far from being encouraging, the latter called him crazy. But Indap takes it as a compliment. "I admit I'm crazy," he says, adding: "It is only crazy ideas that make for successful entrepreneurs."

ANUMEHA CHATURVEDI



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Contract provider: Chetan Indap (R)

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Classy, yet Cheap

Happening hotelier: Arjun Baljee

While working at his family-run Royal Orchid chain of luxury hotels, Arjun Baljee, now 30, realised there were hardly any budget hotels in the country that would appeal to young people. He decided to launch his own chain to fill the gap. "There weren't any cool places to stay at which were reasonably priced," says Baljee. "I wanted to create a brand that was cool, not intimidating."

This was the starting point of Peppermint, a unique, high on design, budget boutique brand that won the "Best Budget and Economy Hotel" award at this year's Hotel Investment Conference South-Asia held in Mumbai in April. It has set up three hotels so far – in Jaipur, Jodhpur and Gurgaon – but has a target of 10, along with 30 restaurants, this year.

With their iPod docks, custom-designed mattresses, quirkily named restaurants (Aiyayo and MingSingh, for instance) and much else, Peppermint hotels are a class apart. "We have designed for the MTV generation," says Baljee. "We have tried to combine the design sensibilities of the West with the service ethos of India."

Thus, at Peppermint hotels, there are no separate telephone numbers for room service, housekeeping or other services – all legitimate needs are met if the guest dials a single number. "At home in India you have one maid who does everything," says Baljee. "It should be the same in a hotel."

Baljee founded the Peppermint brand in August 2009 with initial investments of ₹5 crore raised from

Peppermint Hotels

FOUNDED IN: 2009

FOUNDER: Arjun Baljee

WHAT MAKES IT COOL: With their trendy looks yet reasonable tariffs, these hotels are a unique chain

RATING

6.5

MIRCHANDANI'S TAKE: It is in a niche market which has good potential to grow. Analysis of the performance of individual hotels will give an idea of the ability of the entrepreneurs to execute such a business.

VIVAN MEHRA/www.indiatodayimages.com

family and friends. The first Peppermint hotel came up in Gurgaon in 2010. "We hope to reach ₹70 crore in revenues this year and that should double by 2013," he says.

He is considering overseas expansion and is also in talks with private equity investors, but says he will start actively looking for funds only after he has built seven or eight hotels. "What helps us is our adaptability," he says. "We don't have size limitations. We don't have legacy issues. We can be anywhere and everywhere within a certain price band."

ANUMEHA CHATURVEDI

Mining Missed Calls

ZipDial

FOUNDED IN: 2010

FOUNDERS: Valerie Rozycki, Sanjay Swami, Amiya Pathak

WHAT MAKES IT COOL: Ingenious idea with great potential for scaling

RATING: 7

SAHAD'S TAKE: Very interesting business model. Since India is largely a mobile phone nation, the model can have various applications such as contests, games, surveys, mobile coupons, to name a few

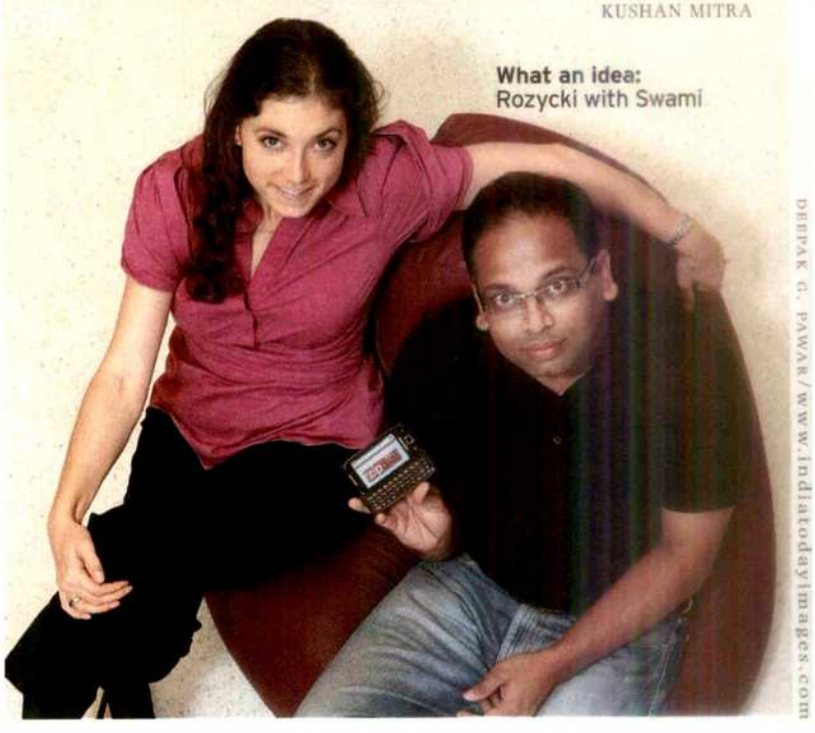
Mirchandani did not rate ZipDial as he has invested in it

A science or engineering graduate from Stanford heading a start-up is to be expected, but a liberal arts graduate from the same university doing the same? Yet that is precisely the path Valerie Rozycki has taken, and that too not in Silicon Valley, but in Bangalore.

Rozycki teamed up with Sanjay Swami, and Amiya Pathak to launch ZipDial Mobile Solutions in mid 2010, which uses missed calls as a marketing tool. "Many mobile users in India cannot type or send SMSs," says Rozycki. "But they all make calls. Missed calls are also free, unlike SMSs." When a customer responding to promotional material gives ZipDial a missed call, the number registers on ZipDial's platform and is turned over to the client, who can then follow up on it in a focused manner.

But developing the platform was the easy part. Finding clients was another matter. Slowly, however, more and more companies are realising ZipDial's potential. With angel investor Mumbai Angels funding the venture, ZipDial is on course to hit big time.

KUSHAN MITRA



What an idea: Rozycki with Swami

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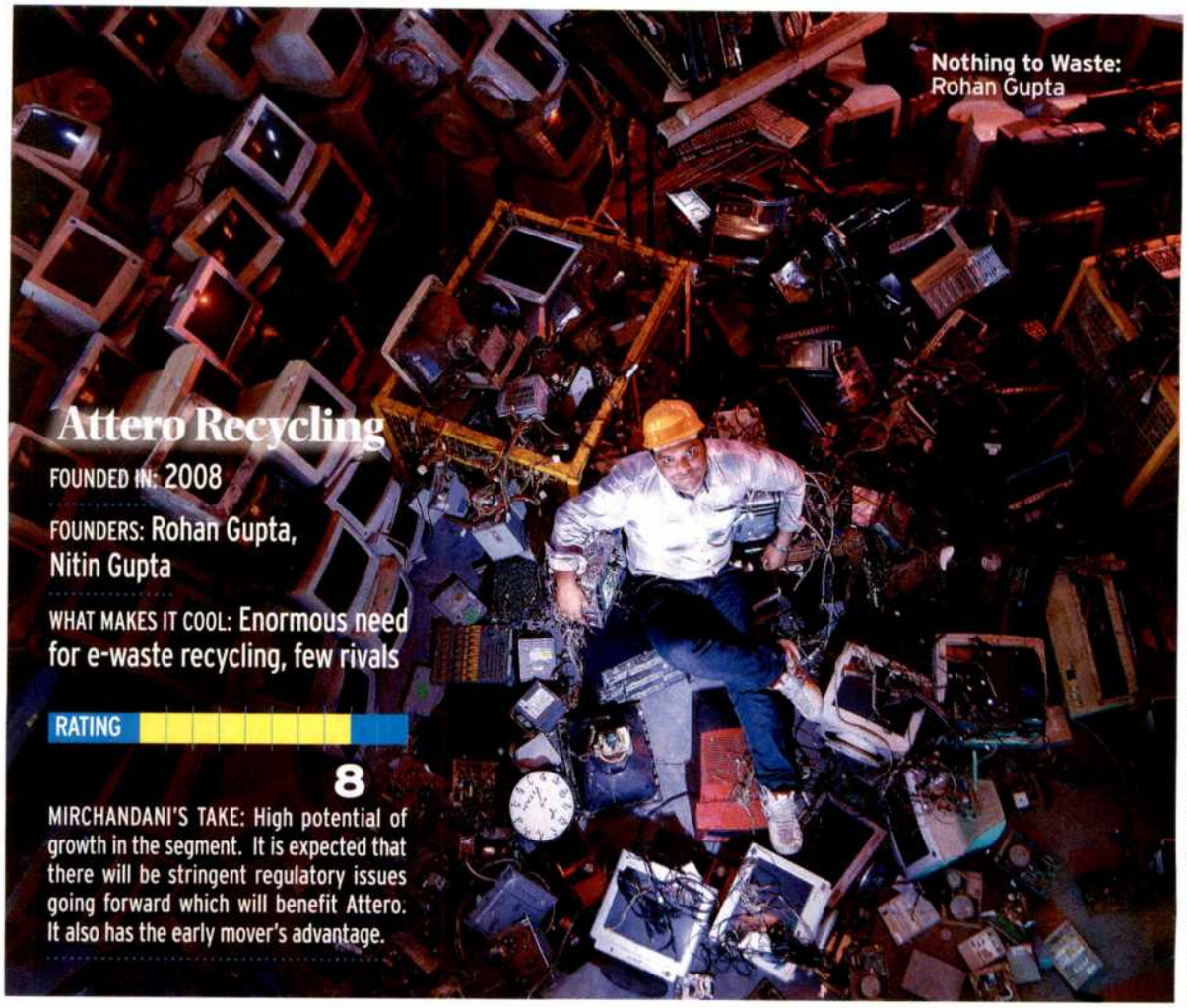

Nothing to Waste: Rohan Gupta

SHEKHAR GHOSH/www.indiatodayimages.com

E-Wasteland

The idea struck Rohan Gupta in late 2006 while he was disposing of his old laptop. Where did discarded desktops, laptops, printers – indeed, all the hardware associated with the digital world – go? To his surprise, he discovered that there was hardly any organised industry to recycle it. "There was nobody offering end-to-end e-cycling," he says. "It was a huge opportunity to tap."

At the time, less than one per cent of the e-waste generated was being treated by the organised sector. The rest found its way to dingy sweatshops where it was taken apart to extract the tiny quantities of gold used in some of the equipment, before being dumped in open fields. Even the organised sector lacked the expertise to properly recycle the waste and ended up shipping most of the components to European countries for further processing.

Yet, starting an e-waste recycling unit was no picnic. The project required land, machinery and a research unit. Rohan roped in his US-based brother Nitin and together they went looking for funds. It was only in mid-2008, having obtained $6.3 million (₹28.35 crore) from venture capital firms NEA-IndoUS Ventures and Draper Fisher Jurvetson, that the brothers were able to launch Attero Recycling.

Attero today processes over 300 tonnes of e-waste every month at its two-acre recycling facility in Roorkee, Uttarakhand. It does complete processing of e-waste with zero landfill system and has also indigenously developed electro-refining technology to extract metals from the hazardous components. It has tied up with over 200 leading companies to take care of their waste.

A 2008 Greenpeace report said India generated 380,000 tonnes of e-waste in 2007/08 and the quantity would grow by 15 per cent annually. The Gupta brothers are certainly on to a good thing.

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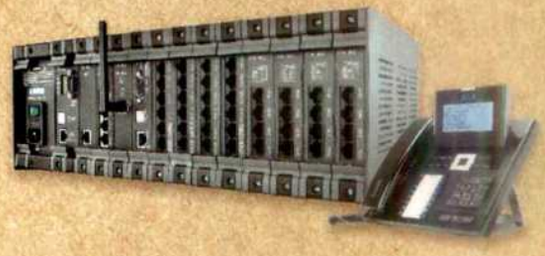

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Training India

Possessing a degree is one thing, being employable, another. Among the agencies engaged in rendering India's vast young population fit to take up the jobs being generated (also see *India's Skilling Fields*, BT April 3, 2011) is Global Talent Track, or GTT, run by Uma Ganesh and Ganesh Natarajan.

The idea occurred to the husband-wife duo while holidaying in Kovalam, Kerala, in March 2008. With funding from the US-based investors Intel Capital and Helion investors, GTT was founded in January 2009 with a focus on the information technology sector. "GTT seeks to develop employability skills for IT-related companies among youth in tier-2 and tier-3 cities," says Ganesh.

GTT approaches potential employers in the IT industry to find existing vacancies and their requirements. "Then the hunt for employees begins," says Ganesh. GTT has tied up with over 800 colleges across the country from which it draws candidates and trains them. Modular courses ranging from 80 to 640 hours are suggested to the graduates depending on their capabilities, which are judged by an online test.

GTT currently has 20 centres across 15 states, including Jammu and Kashmir.

ANAMIKA BUTALIA

Global Talent Track

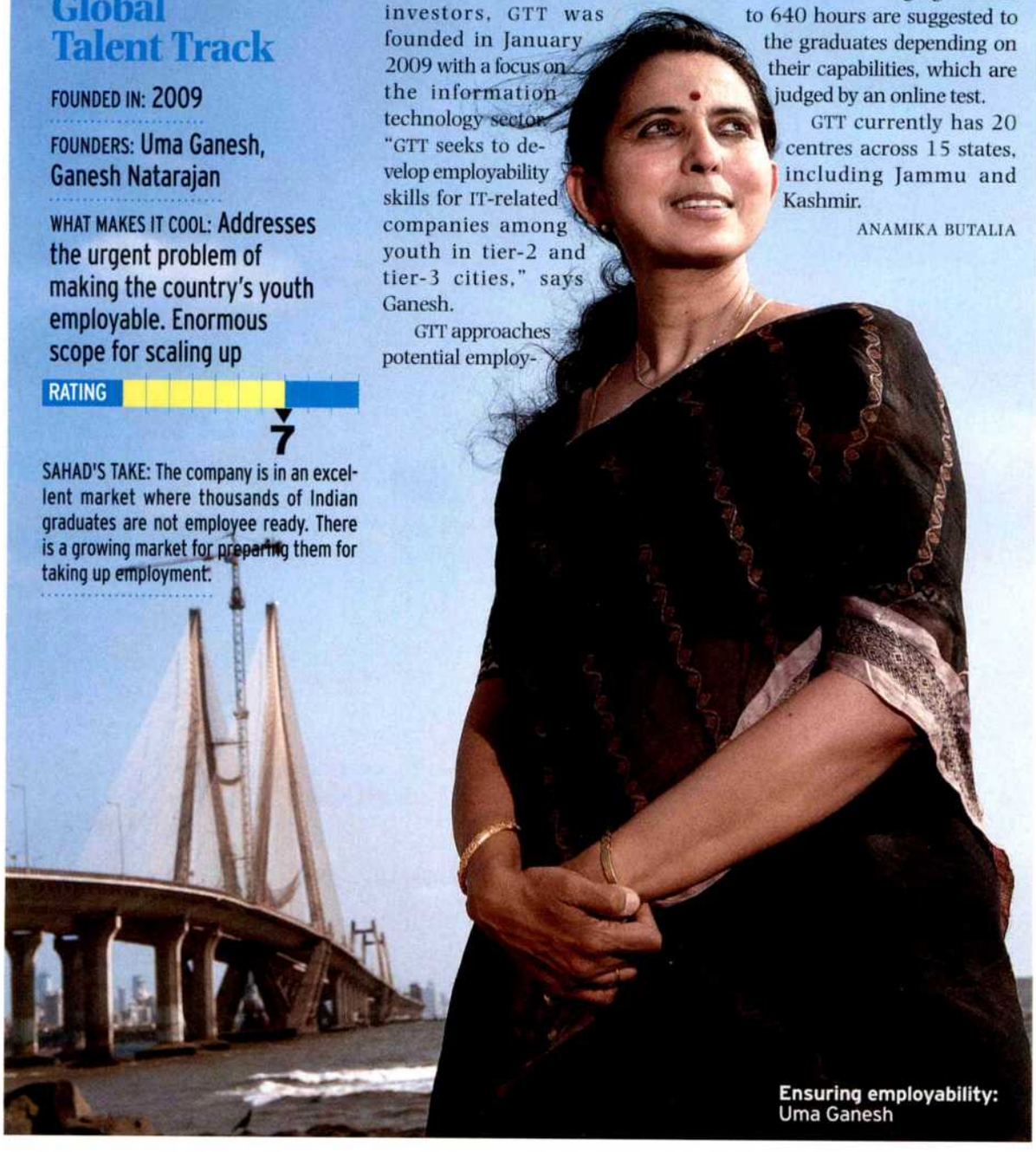
FOUNDED IN: 2009

FOUNDERS: Uma Ganesh, Ganesh Natarajan

WHAT MAKES IT COOL: Addresses the urgent problem of making the country's youth employable. Enormous scope for scaling up

RATING 7

SAHAD'S TAKE: The company is in an excellent market where thousands of Indian graduates are not employee ready. There is a growing market for preparing them for taking up employment.



Ensuring employability: Uma Ganesh

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Tea and Company

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High on tea: Bijral (left) with his colleagues in Bangalore

Indians love tea. The country consumed 802 million kg of tea in 2008, the Tea Board's latest figures show. Amuleek Singh Bijral, 34 – a Harvard Business School graduate who has worked with TCS and Microsoft – saw in this a business opportunity. Unfazed by the failure of a similar endeavour – Chai Unchai by Tata Tea in 2008 – he started Chai Point in Bangalore in April 2010 to serve tea in clean and congenial surroundings. The single outlet has grown to nine. Sourcing high quality Assam and Darjeeling tea, Chai Point serves seven flavours, with varieties such as Chai Latte – a cappuccino substitute for tea – and sugar-free tea for diabetics. Chai Point outlets are small but cosy, about 250 to 300 sq ft, with seating space for just 10. Each location is carefully chosen. "Our outlets are at some distance from malls and plush retail areas, but located on busy streets," says Bijral.

The outlets have yet to break even, but Bijral remains confident. He is not even worried about competition. "Competitors will only give credibility to the liquid tea space, and provide it a share of marketing cover which has been the privilege of only the coffee shops so far," he says.

TASLIMA KHAN

Chai Point

FOUNDED IN: 2010

FOUNDER: Amuleek Singh Bijral

WHAT MAKES IT COOL: Its novelty. Unlike coffee shops, upscale tea shops are almost unknown

RATING

5.5

MIRCHANDANI'S TAKE: Interesting segment. It tries to cater to a gap in the market. What needs to be seen is how the entrepreneur manages the retail side of the business as entry barriers are low.

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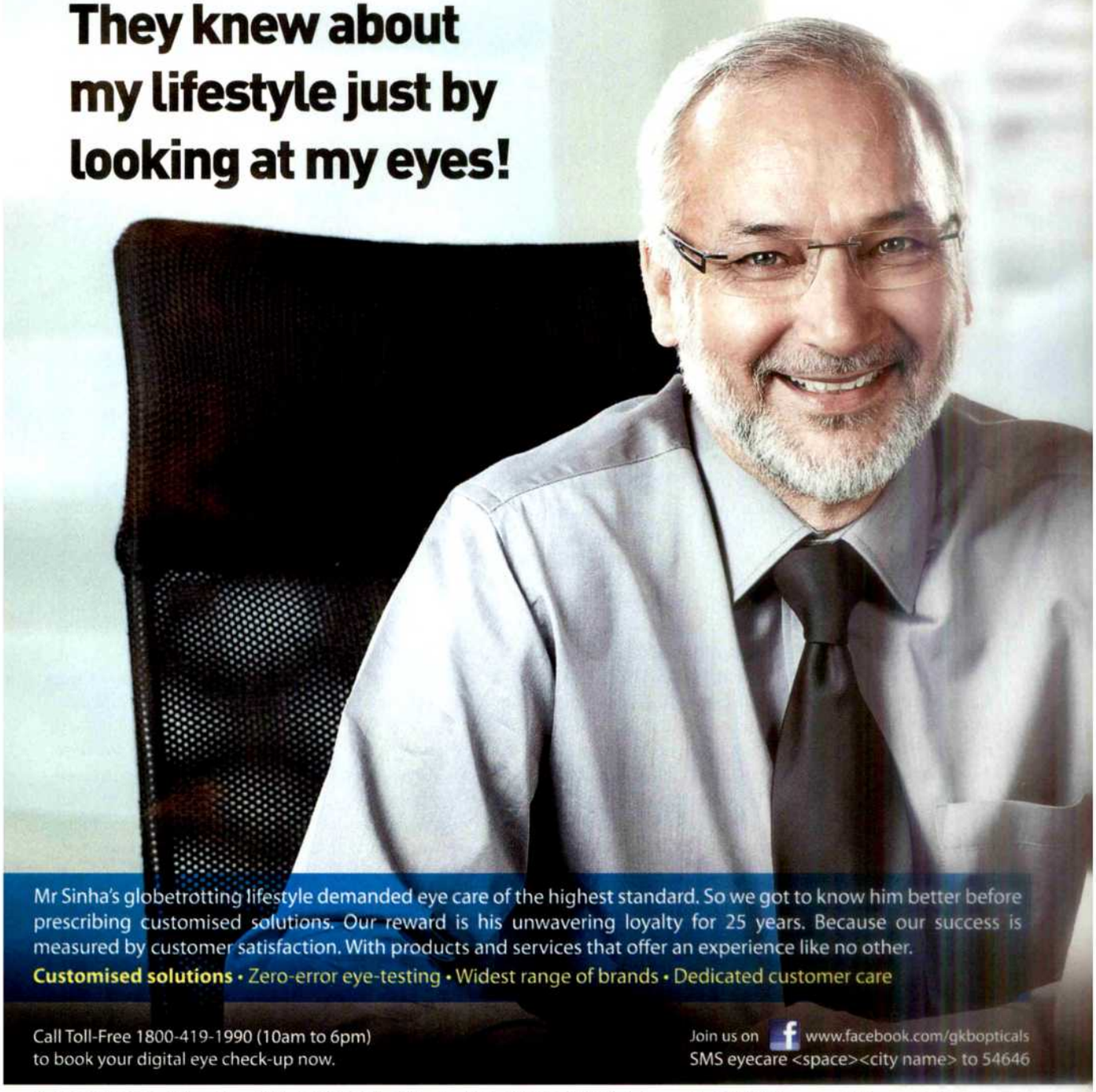

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Next in Line

Incipient, promising start-ups to keep an eye out for. By TASLIMA KHAN

Vyome Biosciences

There has been very little innovation in the skin solutions market," says Dr Shiladitya Sengupta. "Most products like Clearasil for pimples or Head & Shoulders shampoo for dandruff, use formulations invented in the 1930s and 1940s." It is this shortcoming that Dr Sengupta, along with Dr Rajesh Gokhale and Rajeev Mantri, who set up the Delhi-based bio-pharmaceuticals firm, Vyome Biosciences in August 2010, hope to overcome. Having secured ₹4.5-crore funding from venture capital firm Navam Capital, the three are focused on producing new formulations for the treatment of dandruff, acne, diabetic wounds and pigmentation disorders like leukoderma.

Into the Next Level: Vyome Biosciences' Shiladitya Sengupta

Olacabs

Olacabs, started by Indian Institute of Technology, Bombay, graduates Bhawish Aggarwal and Ankit Bhati in August 2010, is a car rental and cab hire service with a difference. For one, it has no vehicles of its own, but enters into agreements with owners and operators. More importantly, Aggarwal and Bhati are working on software that will track traffic volumes, enabling them to give customers an accurate estimate of commute times in a cab. They are also looking at technology that will make online and phone booking of cabs easier. Indian Angel Network has invested in Olacabs, as has Shaadi.com founder Anupam Mittal.

Emotion Squared Technologies

Abid Hussain and Mohammad Azharudin, engineering and business school batchmates, set up Emotion Squared Technologies in February this year to market their invention Emo2. Using a technology called surface computing or touch computing, Emo2 provides a multi-touch, multi-user interface, which was first unveiled at a Confederation of Indian Industry conference in 2010.

Invitees to the conference were mailed plastic invitation cards. At the conference, they were required to place the cards on a special table. The cards not only recognised each invitee but also completed their registration formalities. Emo2 has the potential for widespread use and the start-up has won funding from Sameer Guglani, venture capitalist at The Morpheus.

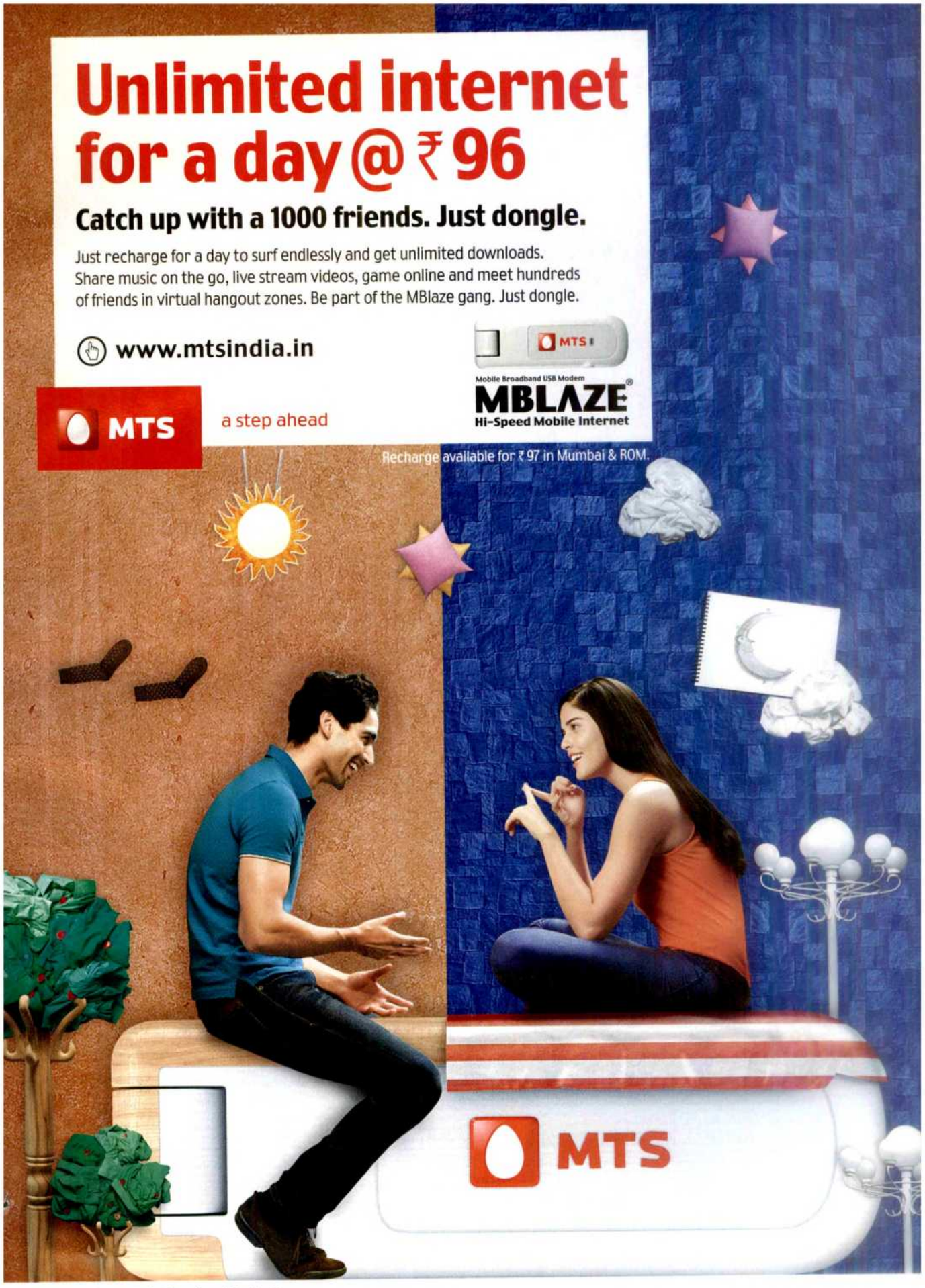
NextGen

Well before he finished his education, Abhishek Humbad had turned entrepreneur. His start-up NextGen PMS closed revenues of ₹1.5 crore this March, the same month he graduated from Indian Institute of Management, Bangalore. NextGen sets up waste management units – the ones in rural areas even draw power from waste, which has been used to run telecom towers successfully.

It all began in 2009, when Humbad's research works on waste management, emission management and sustainability, while studying at Birla Institute of Technology and Science, Pilani, drew international attention. Following discussions with his professors his entrepreneurial plans took concrete shape. The numerous cash awards he had won gave him enough seed capital to launch NextGen, with some help from the incubation centre at IIM, Bangalore. Humbad is also a consultant on waste and emission management to companies including Intel and Infosys. "I want to make NextGen a ₹100-crore company in three years," he says. And he is not boasting.

Y2CF Digital Media

SMSs are a better way to advertise than slipping leaflets under doors. Y2CF Digital Media, begun in July 2010, helps small shopkeepers to advertise through a mobile platform, branded MusstBuy, and often discounts on group purchases. Advertisers need pay only if a customer turns up at their stores and customers if they avail the discount. ◆



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Spot on, Mostly

Most start-ups from earlier *BT* listings have done well. Here are five gems we spotted and five calls we made wrong.

By RAHUL SACHITANAND

Hits

Ikya Human Capital

Profiled in 2008

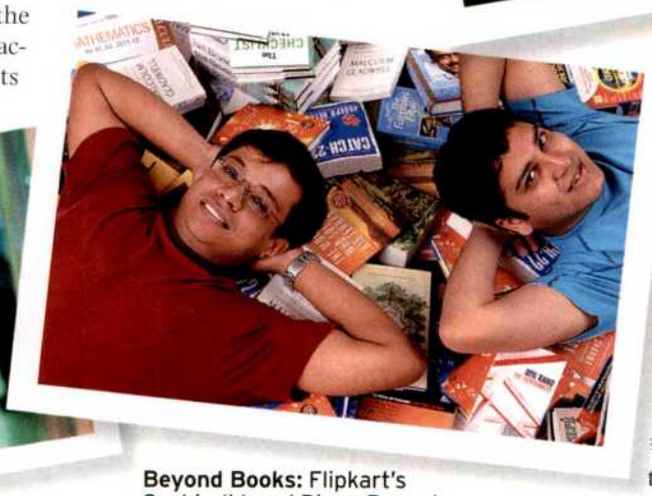
Serial entrepreneur Ajit Isaac's latest venture remains on the fast track. It has made three acquisitions and expanded its portfolio to encompass executive search, recruitment solutions, staffing services and recruitment process outsourcing. Today Ikya has 20 offices, works with 400 companies and helped place over 20,000 people last year. "We will have nearly ₹700 crore in revenues, and we want to consolidate our gains this year with a focus on productivity, service quality and margin improvement," says Isaac. Ikya recently sealed a deal with the Ministry of Rural Development to train 8,000 people. Says Isaac: "We want to be market leaders."

Fast Track: Ikya Human Capital's Ajit Isaac

Flipkart

Profiled in 2009

The shining success of India's e-commerce industry, Flipkart, has grown beyond books. Now, the challenge is to rapidly grow its low-margin electronics goods business and make profits outside of books. "Flipkart founders Sachin and Binny Bansal make a team that understands customer delight, logistics and operations, as well as they do technology. That is what has consistently made a difference," says Subrata Mitra of Accel, an investor in the firm.



Beyond Books: Flipkart's Sachin (L) and Binny Bansal

Inbiopro

Profiled in 2009

In late 2010, Sohang Chatterjee and Kavitha Rodrigues, founders of the Bangalore-based biotech firm Inbiopro faced a tough choice. Their business was growing so fast they were short of funds to sustain the momentum. Ultimately, they decided to sell their company to Strides Arcolab, a Bangalore-based drugmaker for ₹65 crore, payable over three years. "We got a good deal from Strides," says Chatterjee. "We run the company independently. There is little interference from Strides on a day-to-day basis." While the deal gave Strides access to eight molecules with a targetable market of $28 billion, for the Inbiopro founders, it was also a validation of their lucrative business model.

Validated: Inbiopro's Chatterjee (L) and Kavitha Rodrigues

Nova Medical Centres

Profiled in 2010

The pioneer of day surgeries – or surgeries so planned that the patient is released on the same day without stay overnight in hospital – in India has been doing very well indeed, and is well on

course to meet its target of 25 centres by the end of 2012. Nova Medical Centres now has four locations, having opened its first unit in Delhi in February and another in Mumbai a month later, apart from the two original ones at Bangalore. "We plan to be in 10 cities by the end of this year," Suresh Soni, Chairman and CEO, said at the opening of the Mumbai unit. "Nova's compact footprint and unique operating model is designed for rapid scaling up."

Waterlife India

Profiled in 2010

With the Michael and Susan Dell Foundation buying a five per cent stake in it in March 2011, there is no looking back for Waterlife. This Hyderabad-based start-up installs and operates mini water-purification plants in rural areas. It has so far put up over 1,200 such plants which provide clean drinking water to 1.2 million people. "In the past year, we have grown five-fold and plan to maintain this momentum this year, too," says Sudesh Menon, CEO. It expects to reach 30 million people by 2014.

Misses

Guruji

Profiled in 2007

Not every Internet enterprise is a money spinner. Guruji, a Bangalore-based local search engine, is discovering just how tough life can be on the web. In 2008, Gaurav Mishra quit the firm he founded with Anurag Dod. Since then Guruji has struggled as global giants led by Google, MSN and Yahoo entered its core market. Dod declined to comment on the firm's position.

OnYoMo

Profiled in 2010

Local search is a fast-growing category on the web, but it is conventional companies such as Asklaila rather than specialised mobile ones like OnYoMo which consumers seem to prefer. OnYoMo has struggled to cope with the fast-changing market. Though many of its local search queries come from the hinterland, OnYoMo does not have a database large enough to cover these locations. "The key to local search is the quality of data," says Kiran Konduri, Co-Founder of Asklaila. Clearly, an upgrade is in order for OnYoMo.

Meritnation

Profiled in 2010

Meritnation, which once ranked among the top sites visited by Indians, has faded away. Santee Bikhchandani, an investor in the firm, as well as an early entrepreneur in India's Internet market, defends the portal, saying while Meritnation, which provides online study material, may have missed its revenue targets by a year, it has a sound long-term growth plan. "It is delivering on its early promise," he says. "Early-stage businesses are unpredictable. (But) we are happy with the traction that the business is now getting."

In Happier Times: Guruji's Dod (L) and Mishra

Invention Labs

Profiled in 2010

Market realities for start-ups mean some products will fail while some others will be massive successes," says Ajit Narayanan, founder of this Chennai-based provider of products localised for the Indian market. However, the truth is Invention Labs has been struggling to maintain its momentum and at least three forthcoming products have been scrapped. "We are ahead of where we wanted to be," maintains Narayanan. "Avaz, our product which helps convert limited muscle movements into speech, has been a runaway success." But the firm has not closed any funding yet, and investors are not knocking on its door either. "We can manage on our own funds," counters Narayanan.

Sresta National Bioproducts

Profiled in 2010

The Secunderabad-based organic food firm has fallen well short in its ambition to be a ₹100 crore company. Its core market has been slow to take off. In a price-sensitive market, its organic produce is moving slowly. 24 Letter Mantra, Sresta's specialist organic food store, has also found the going tough and has had to rethink expansion plans. A slowdown in its focus markets of North America and Europe has made matters worse. Founder Raj Seelam, an alumnus of Indian Institute of Management, Ahmedabad, could not be reached for comments. ◆

Still Smiling: Meritnation's Pavan Chauhan (in green)

AUDITED FINANCIAL RESULTS FOR THE QUARTER/YEAR ENDED 31ST MARCH 2011

(₹ Cr

SL. No.	PARTICULARS	3 Months ended 31.03.2011*	3 Months in the previous year ended 31.03.2010	Current Year Ended 31.03.2011* (Audited)	Previous Year Ended 31.03.2010 (Audited)	Consolidated Results For the year ended 31.03.2011 (Audited)	Consolidated Results For th year en 31.03.2 (Audit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Sales / Income from Operations	18623.42	14096.33	43379.89	34198.47	43678.62	344
	Less: Excise Duty/Service Tax	701.99	537.23	1801.09	1318.17	1811.29	13
2.	Net sales/income from operations	17921.43	13559.10	41578.80	32880.30	41867.33	331
3.	Value of production (Net of Excise duty/Service Tax)	17085.28	13533.20	41527.24	33597.94	41814.42	338
4.	Other Operating Income	459.07	385.55	916.71	692.51	919.95	6
5.	Total Expenditure	14225.34	11236.53	34076.92	27772.52	34320.31	280
	a) (Increase)/decrease in stock-in-trade and work in progress	666.95	(24.75)	(127.35)	(786.65)	(126.18)	(77
	b) Consumption of raw materials	8293.19	8052.04	22670.70	20094.05	22824.33	202
	c) Staff Cost	1459.91	1833.74	5410.41	5243.31	5466.30	52
	d) Depreciation	138.44	164.69	544.12	458.01	546.37	4
	e) Other expenditure	3666.85	1210.81	5579.04	2763.80	5609.49	27
6.	Profit from operations before other income, interest & taxation (2+4-5)	4155.16	2708.12	8418.59	5800.29	8466.97	58
7.	Other Income	163.43	207.98	641.81	823.86	647.34	8
8.	Profit before interest & taxation (6+7)	4318.59	2916.10	9060.40	6624.15	9114.31	66
9.	Interest	30.50	17.80	54.73	33.50	48.63	
10.	Profit Before Tax (8-9)	4288.09	2898.30	9005.67	6590.65	9065.68	66
11.	a) Provision for Taxation (incl deferred tax)	1567.73	1047.54	3075.92	2319.21	3093.93	23
	b) Prior period tax	(77.68)	(58.82)	(81.45)	(39.20)	(81.61)	(3
12.	Net Profit (10-11)	2798.04	1909.58	6011.20	4310.64	6053.36	43
13.	Paid-up Equity Share Capital (Face Value per Share (Rs.))	489.52 (10)	489.52 (10)	489.52 (10)	489.52 (10)	489.52 (10)	4
14.	Reserves excluding revaluation reserves			19664.32	15427.84	19665.56	154
15.	Earnings per Share Basic and Diluted (not annualised) (Rs.)	57.16	39.01	122.80	88.06	123.66	
16.	Public shareholding						
	No. of Shares	158009600	158009600	158009600	158009600	158009600	1580
	Percentage of shareholding	32.28%	32.28%	32.28%	32.28%	32.28%	32.
17.	Promoters and promoter group shareholding						
	a) Pledged/Encumbered						
	- No. of Shares	NIL	NIL	NIL	NIL	NIL	
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)						
	- Percentage of shares (as a % of the total share capital of the company)						
	b) Non-Encumbered						
	- No. of Shares	331510400	331510400	331510400	331510400	331510400	3315
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100%	100%	100%	100%	100%	1
	- Percentage of shares (as a % of the total share capital of the company)	67.72%	67.72%	67.72%	67.72%	67.72%	67.

SEGMENTWISE REVENUE, RESULTS AND CAPITAL EMPLOYED

(₹ Cro

Sl. No.	PARTICULARS	3 Months ended 31.03.2011*	3 Months in the previous year ended 31.03.2010	Current Year Ended 31.03.2011* (Audited)	Previous Year Ended 31.03.2010 (Audited)	Consolidated Results For the year ended 31.03.2011 (Audited)	Consolidated Results For the year ended 31.0 (Audited)
1.	Segment Revenue						
	A. Power	15144.39	11154.90	34791.33	26860.70	35053.84	2707
	B. Industry	3709.10	3149.06	9186.02	7878.96	9222.25	796
	Total	18853.49	14303.96	43977.35	34739.66	44276.09	3503
	Inter Segmental revenue	230.07	207.63	597.46	541.19	597.47	54
	Sale/Income from operations	18623.42	14096.33	43379.89	34198.47	43678.62	3449
2.	Segment Results (Profit before Tax and Interest)						
	A. Power	4136.26	3058.03	8311.64	6316.70	8363.14	635
	B. Industry	985.06	804.85	1915.10	1642.46	1925.28	163
	Total	5121.32	3862.88	10226.74	7959.16	10288.42	798
	Less Interest	30.50	17.80	54.73	33.50	48.63	3
	Other un-allocable expenditure net of income	802.73	946.78	1166.34	1335.01	1174.11	132
	Total Profit before Tax	4288.09	2898.30	9005.67	6590.65	9065.68	662
3.	Capital Employed (Segment Assets - Segment Liabilities)						
	A. Power			6201.51	2505.69	6246.50	253
	B. Industry			3533.26	2248.90	3489.39	219
	Capital Employed (including un-allocable common)			16391.46	12967.83	16053.48	1296

*** Subject to audit u/s 619(4) of the Companies Act, 1956 by the C&AG of India**
The figures have been regrouped, wherever necessary

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TATEMENT OF ASSETS AND LIABILITIES

(₹ Crores)

PARTICULARS	Stand Alone		Consolidated	
	As at the end of 31.03.2011 (Audited)*	As at the end of 31.03.2010 (Audited)	As at the end of 31.03.2011 (Audited)	As at the end of 31.03.2010 (Audited)
CES OF FUNDS				
EHOLDERS FUND:				
apital	489.52	489.52	489.52	489.52
eserves and Surplus	19664.32	15427.84	19665.56	15406.46
FUNDS	163.35	127.75	270.17	148.30
	20317.19	16045.11	20425.25	16044.28
CATION OF FUNDS				
ASSETS (Incl. CWIP)	5163.10	3965.45	5816.30	4163.55
TMENTS	439.17	79.84	11.30	5.94
ERRED TAX ASSETS (NET)	2163.55	1527.23	2165.17	1528.62
RENT ASSETS, LOANS AND ADVANCES				
ventories	10963.03	9235.46	11017.49	9283.78
undry Debtors	27354.62	20688.75	27510.46	20792.61
ash and Bank balances	9630.15	9790.08	9706.40	9856.42
ther current assets	309.63	406.85	310.17	407.27
oans and Advances	3237.31	2793.17	3076.35	2662.18
Current Liabilities and Provisions				
urrent Liabilities	31346.57	28023.74	31568.03	28211.21
rovisions	7596.80	4417.98	7620.36	4444.88
URRENT ASSETS	12551.37	10472.59	12432.48	10346.17
L	20317.19	16045.11	20425.25	16044.28

ct to audit u/s 619(4) of the Companies Act, 1956 by the C&AG of India
ures have been regrouped, wherever necessary

ails of Investor Complaints:	Pending as on 01.01.2011	Received during the quarter	Resolved during the quarter	Pending as on 31.03.2011
	Nil	168	168	NIL

consolidated figures include results in respect of the subsidiary - M/s. Bharat Heavy Plate & Vessels Ltd. and Joint Venture entities - BHEL-GE Gas Turbine Services Pvt. , NTPC-BHEL Power Projects Pvt. Ltd., Udangudi Power Corporation Ltd., Dada Dhuniwale Khandwa Project, Raichur Power Corporation Limited.

company has changed the accounting policy on Provision for warranties in respect of AS-7 (R) construction contracts during the year. As against creation of provision for ranties @ 2.5% of contract value on trial operation, the company has revised it that company provides warranty cost at 2.5% of the revenue progressively as and when it ognises the revenue and maintains the same through the warranty period. This is against the earlier policy of deferring warranty provision and corresponding revenue till the npletion of Trial Operation. The impact due to change in the accounting policy for the year 2010-11 is increase in turnover by Rs. 2772.79 crore, Provision for Contractual igation by Rs. 2077.31 crore and Profit before Tax by Rs. 695.48 crore.

Company has modified the Accounting Policy on Employee Benefits during the year in respect of leave liability. As against the policy of creating provision for these leaves accrual basis, the company changed it to actuarial valuation basis treating the same as "Other Long Term Benefits" based on behavioural patterns etc. as per AS-15 (R). The act due to change in accounting policy for the year 2010-11 is increase in Profit before Tax by Rs. 240.75 crore.

ing the year the cranes used at the project sites have been classified under "General Plant & Machinery" as against the earlier practice of "Erection Equipment". Accordingly depreciation rate has been changed based on a review of their useful life, from 20% to 8% p.a., with retrospective effect. The impact due to the above change is decrease in reciation by Rs. 80.62 crore (Rs. 49.03 crore pertains to earlier years) and increase in Profit before Tax by Rs. 46.80 crore.

operations of the Libyan project site has been consolidated based on the unaudited accounts maintained at the regional headquarter at Noida, in view of the ongoing noil in Libya.

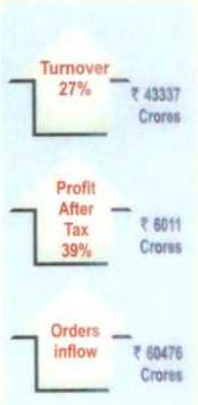
Board of Directors have recommended a final dividend of Rs. 17.90 per share (Face Value Rs.10 per share) in addition to the interim dividend of Rs. 13.25 per share (Face Value 10 per share) paid during the year.

above results have been reviewed by the Audit Committee and were taken on record by the Board of Directors in their meeting held on 23.05.2011

For Bharat Heavy Electricals Limited

Sd/-
(B. Prasada Rao)
Chairman & Managing Director

New Delhi
23.05.2011



Lipper Awards 2011

The Ace Navigators

RACHIT GOSWAMI/www.indiatodayimages.com

The winners with *Business Today* Editor Chaitanya Kalbag (9th from left) and Tarun Anand, Managing Director, South Asia, Thomson Reuters (7th from right)

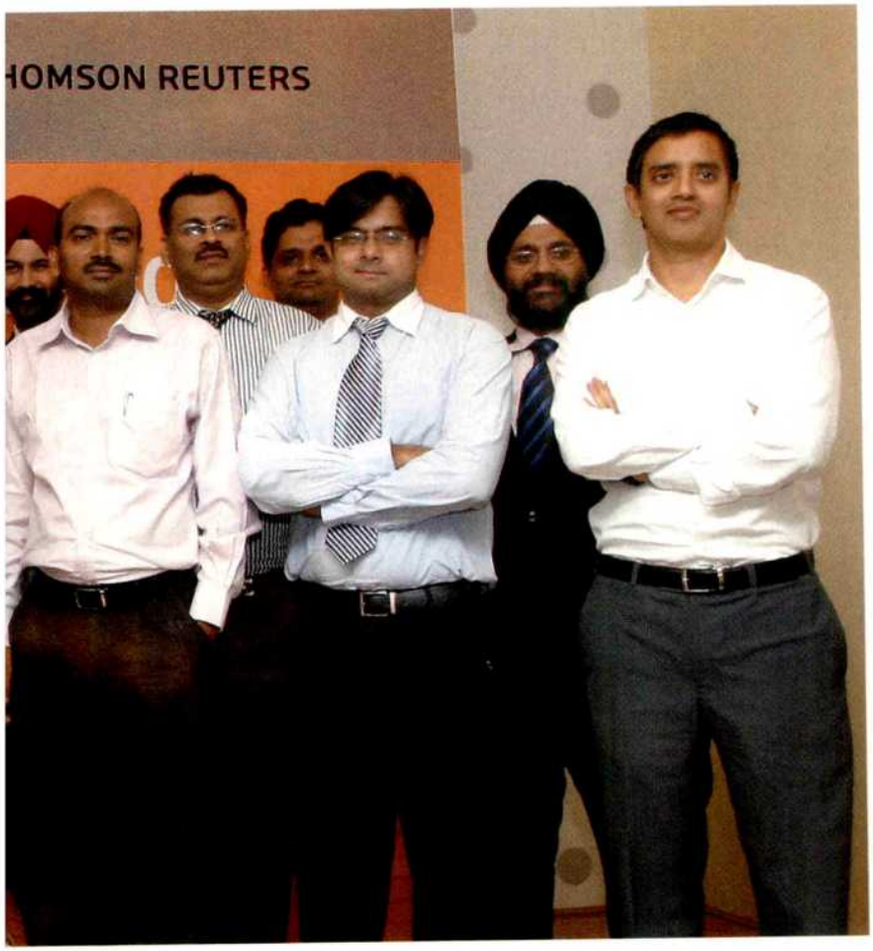
It was an unusual sight inside the Mumbai office of Thomson Reuters at Ballard Estate on May 27. The occasion was the felicitation of India's best fund managers at an event that *Business Today* and Thomson Reuters had organised: the Lipper Fund Awards 2011. By 7 pm the auditorium was full with people from the investment fraternity, who turned up unmindful of it being a Friday evening. Tarun Anand, Managing Director, South Asia, and Senior Country Officer for Thomson Reuters kicked off the event by explaining how winning the best fund manager award is not an easy task in the current times. "The disaster in Japan, the European debt crisis, and political unrest in Middle East has changed the world like never before. Your ability to deal with volatility and achieve outstanding results has brought a lot of pride to the industry," he said.

"I feel the job of analysts is far more challenging than that of a person running the company because they need to get into the skin of the industry and come up with recommendations," he added.

Business Today Editor Chaitanya

BT and Thomson Reuters fete fund managers who steered through tsunamis and debt crises with aplomb.

By MANU KAUSHIK and RAJIV BHUVA



INSIDE

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Fund managers who have emerged with flying colours in the boom-bust-boom cycle of the last three years

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In the long term we are all dead, said Keynes. But here is proof money can be made in the long term

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Fund houses that have emerged winners for being very good at what they do

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How we chose the winners

Kalbag pointed out how the mutual funds industry had grown by leaps and bounds in India. "As compared to ₹47,000 crore in 1993, the size of the mutual fund industry has grown by more than 250 per cent in 2008," Kalbag said.

Quoting a McKinsey & Co. survey, Kalbag noted that retail equity participation in India was far lower than it ought to be for a population of 1.2 billion. The markets regulator Securities and Exchange Board of India has been doing an enormous amount of work in that direction, but "one of the biggest issues in India is to educate the average investor on why depth of participation in equity markets needs to grow," he said.

The awards ceremony – the event sponsor was The Glenlivet – then got under way with top names of the Indian mutual fund industry participating. Among those who came on stage to receive awards were Ashu Suyash of Fidelity International, Sanjay Parekh of ICICI Prudential AMC, Escorts Mutual Fund's Sanjay Arora, and Chirag Setalvad of HDFC Mutual Fund. For more on how these feted fund managers made it to our Best Fund Managers listing this year, turn the page.

SULTANS OF SWING

The boom-bust-boom cycle of the last three years has been an acid test for fund mangagers. Winners of the Lipper Awards 2011 reveal what they did, or did not do, or did differently, to emerge victorious.

How do you find a good small-cap fund manager? Answer: Find a good large-cap fund manager, and wait. The global market meltdown of 2008 had made fund managers the butt of such jokes. The searing market volatility since then coupled with constant changes in the interest rate scenario in response to the liquidity crunch and wobbly commodity prices have tested their acumen. All have struggled but some have delivered superior returns for investors.

One such fund manager is Anand Radhakrishnan, winner in the Three-Year Equity (IT) category. He exploited market inefficiencies to earn profits for investors of Franklin Infotech Fund (Growth). During the stock market boom of 2007, the Information Technology, or IT, Index underperformed the broader market. But following the US sub-prime crisis, the benchmark index, the Sensex, fell to the 8,000-level. "IT stocks performed badly in the subsequent bear market. But we stayed invested in IT stocks. In fact, we migrated from mid-cap IT stocks to large-caps," Radhakrishnan says.

Why such obduracy? "Looking at valuations of some big IT stocks – Infosys was trading with a forward price-to-earnings multiple of just 10, and TCS and Wipro at a forward P/E of 9 – we were confident of making solid money once conditions improved." Forward P/E is the ratio of current market price to future earnings. And that is what

OMPRAKASH KUCKIAN of Reliance Capital
"Money is made in fear and not in consensus. We identified stocks where aberrations were high"

RACHIT GOSWAMI/www.indiatodayimages.com

happened when the markets recovered in 2009: the frontline IT stocks ruled the roost. Franklin Infotech gave returns of 137 per cent in 2009 and 33 per cent in 2010, outperforming the Sensex. Today, Infosys trades at 23.5 times trailing earnings, TCS at 25 times and Wipro at 20.7 times.

Ritesh Jain, Head of Investments at Canara Robeco and winner in the Three- and Five-Year Bond category, spotted the trend in bond markets early in 2008 and changed his strategy, which helped generate above-average returns for Canara Robeco Income Fund (Growth). "In December 2008, we sold government bonds as we expected the government to borrow more money which, in turn, would negatively impact the market," he says. Bond prices fell sharply in January 2009 after the government announced its plan for an additional borrowing of ₹50,000 crore. Similarly in mid-2010, Jain spotted the threat of inflation early on and hedged the fund's bond position – by buying over-the-counter derivatives – and limited the downside risk to investors. As of March 31, 2011, the three year return of the fund stands at 13.47 per cent.

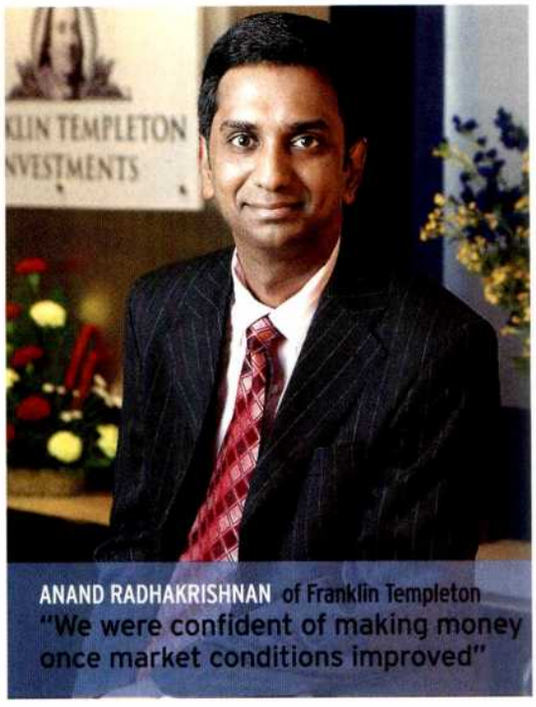
The Reliance Regular Savings Fund-Balanced Plan (Growth) managed by Omprakash Kuckian and Amit Tripathi, co-winners in the Three-Year Mixed Asset (Aggressive) category, is among a few balanced funds that did well in the three year period. In 2008, during the stock market bust, the duo quickly got out of mid-cap stocks and invested heavily in large-caps. "Money is made in fear and not in consensus. We identified stocks where aberrations were high," Kuckian, who also won in the Five-Year Equity category, points out.

The ICICI Prudential Gilt Fund Investment Plan – PF Option, an open-ended fund focused on government securities, or G-secs, has outperformed over the long term by taking timely duration calls. It varied the duration of the fund depending on interest rate move expectations, apart from taking asset allocation calls.

UMESH GOSWAMI/www.indiatodayimages.com

RITESH JAIN of Canara Robeco
"In December 2008, we sold government bonds as we expected the government to borrow more money"

In early 2009, when state governments announced plans to raise ₹1 trillion (a trillion equals 100,000 crore) from the markets, the yield spread between the G-secs and state development loans, or SDLs, widened to 150 basis points, or bps, on supply concerns. Yield spread is the difference between yields of different debt instruments. "We increased our exposure to SDLs in a big way. We believed this was a short-term trend as supply exceeded demand," says Avnish Jain, Senior Fund Manager, ICICI Prudential AMC and winner in the Three- and Five-Year Government Bond category. Three months later, when supply turned normal, the yield spread slipped to 80 bps. "In this way, we were able to generate additional annualised returns," he says.



ANAND RADHAKRISHNAN of Franklin Templeton
"We were confident of making money once market conditions improved"

Today, Jain is sitting on a portfolio that includes 30 per cent investments in G-secs and the rest in cash and cash equivalents. "We expect further rate hikes. Inflation is still a big concern. But gilt fund returns are expected to beat a majority of debt instruments in the long-run," he says.

MANU KAUSHIK

THE MARATHON WINNERS

In the long term we are all dead, said John Maynard Keynes. But winner fund managers prove that money can be made in the long term

A trust that pools the savings of a number of investors sharing a common financial goal: that is the simple definition of a mutual fund. And those who manage these funds know money is made only in the long term.

Does that contradict economist John Maynard Keynes who said: "The long run is a misleading guide to current affairs. In the long run we are all dead."

Take the case of Reliance Growth Fund, an open-ended equity fund where investments grew 46 times in 15 years. Sunil Singhania, Head of Equities at Reliance Mutual, advocates long-term investing as a key to wealth creation. What does one do when the external environment is choppy? Stay put and not get swayed by fear or greed, says Singhania, winner of Best Fund Manager award under Equity India category.

Take the great fall of 2008. From its peak of 21,206.77 in January 2008, the Sensex tanked to 8,000 levels by October. There was wholesale withdrawal of funds and mutual funds were no exception. But those who stayed put ultimately benefitted. Indeed fund managers believe that such slumps should not be seen as threats, but as opportunities. "Every sharp fall is an opportunity to pick up quality stocks," says Singhania. The key to successful investing is picking the

AVNISH JAIN (left) of ICICI Prudential AMC and **ABHISHEK BISEN** of Kotak Mahindra AMC

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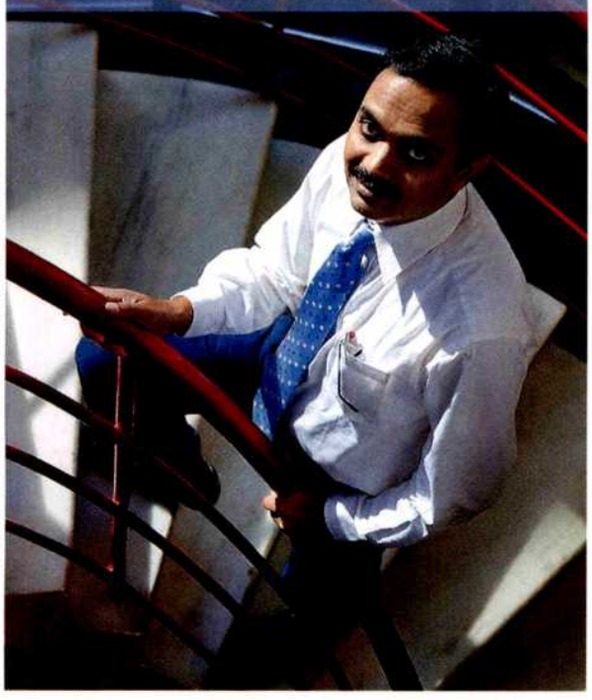
PRASHANT JAIN CHIEF INVESTMENT OFFICER, HDFC MF
"In the long run, prices come to where they deserve to be"



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SUNIL SINGHANIA, Head of Equities, Reliance Mutual Fund
"Every sharp fall is an opportunity to pick up quality stocks"

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

right stocks and ensuring they continue to add value. The secret of beating the markets, says Chirag Setalvad, Senior Fund Manager at HDFC Mutual fund, is: "Stay within acceptable risk levels and invest in quality companies." Setalvad is winner of Best Fund Manager award under Mixed Asset INR Balanced category.

HDFC MF's Prashant Jain, winner of Best Fund Manager award under Mixed Asset INR Aggressive category, is an advocate of long-term investing as well. Markets can move away from fundamentals in the short-to-medium term. "But in the long run, prices come to where they deserve to be," says Jain. Hot and volatile sectors should either be avoided or their stock movements watched very closely. In the bull run of 2007, for instance, Jain did not venture into realty, power utilities or select non-banking financial service companies. But neither did he panic during the downturn. "We did not go in cash when the markets bottomed out," he says. His fund stayed fully invested when the Sensex dropped sharply.

Life is simpler for a balanced fund manager than it is for those of pure equity or debt funds. A balanced fund has a cushion with its equity-debt blend, which others do not. A hike in interest rate by one per cent will have a five per cent impact on the portfolio, says Jain. During the 2008 crisis, even government securities showed four to five per cent intraday volatility. "That was a cumulative of two years' volatility with the entire capital at risk," recalls Abhishek Bisen, Fund Manager at Kotak Mutual Fund, who won the Best Fund Manager award under the Bond Indian Rupee category along with Deepak Agrawal.

For bond funds, explains Agrawal, the fund size increases with a decline in interest rates and maintaining liquidity during such a situation is critical. For Kotak Bond Fund, the split between corporate bonds and government securities is 50:50. In the aftermath of the crisis, the fund opted to buy corporate and public sector bonds with a residual maturity of five and 10 years, respectively. "Government securities add alpha while corporate bonds contribute to accrual," says Agrawal. Alpha refers to returns adjusted for risk.

The last few years have also blown the old hypothesis that there is low degree of correlation between asset classes. "We have to deal with linkages of asset classes," says Amandeep Singh Chopra, Head of Fixed Income at UTI Mutual Fund and winner of Best Fund Manager award under the Mixed Asset INR Conservative category. "The job of a fund manager is to beat the markets," sums up Jain of HDFC MF. And that comes from the long term.◆

RAJIV BHUVA

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THE BEST HOUSES

Here are the fund houses that have emerged winners for being good at what they do – delivering returns

HDFC Mutual Fund (Overall & Balanced)

For Milind Barve, Managing Director of HDFC Asset Management Company, the crisis of 2008 was a defining period. It was difficult for investors to remain invested. And a major lesson it taught was to never stray from portfolio quality.

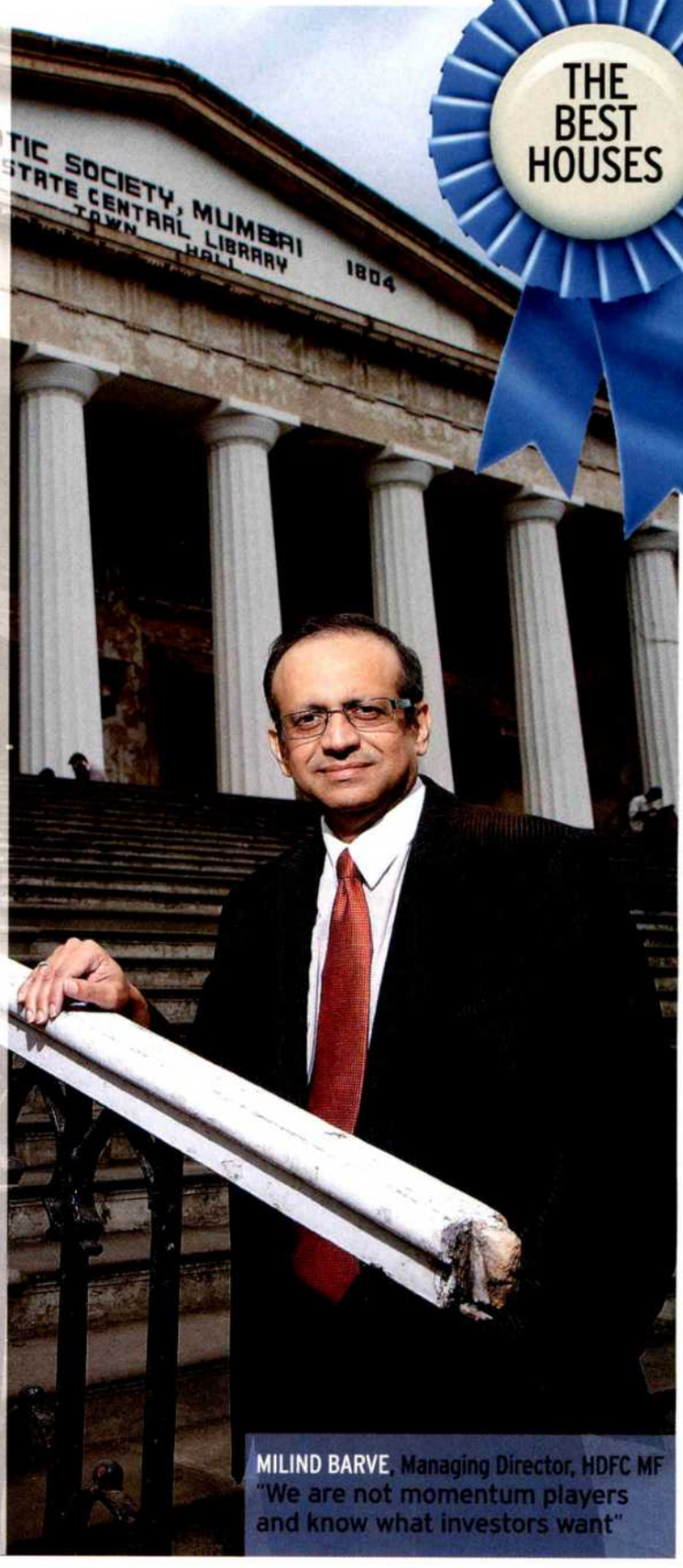
"We are conscious of what investors want," says Barve, whose fund house did not take aggressive cash calls through the crisis. "Our fund managers moved between sectors – defensive or aggressive – depending on macro analysis." The mandate was to focus on consistency in medium- to long-term performance.

Such an approach is part of the DNA of HDFC MF. The fund bagged two group awards from Lipper — Overall Best Fund House and Best Balanced Fund House. Also, HDFC Prudence was recognised as one of the outperformers in the five- and 10-year timeframe while HDFC Balanced Fund was an outperformer in the three- and five-year period.

Volatility, which can create extreme valuations, was inevitable in the three years, but Barve claims that his team has been able to optimise the opportunities

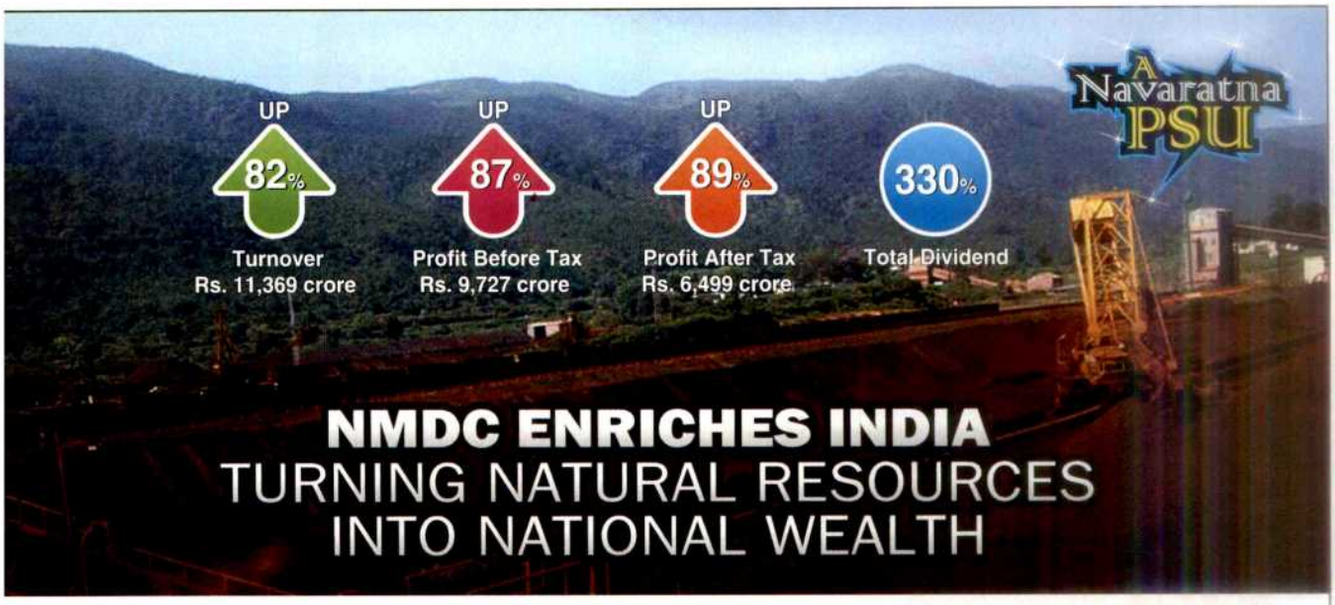
"But that does not mean we are momentum players," says Barve. Since 2006, business has been built at HDFC MF via systematic investment plans, or SIPs. It processes almost 1.4 million equity transactions a month amounting to ₹450 crore under SIPs. In the last five years, only schemes with mid-cap stocks and infrastructure as focus have been used to tap funds. "Lesser products give more focus to fund managers," says Barve. ◆

RAJIV BHUVA



MILIND BARVE, Managing Director, HDFC MF
"We are not momentum players and know what investors want"

RACHIT GOSWAMI/www.indiatodayimages.com



AUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31-MAR-2011

(Rs. in crore)

	Audited			
	Three months ended		Year to date	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
1. **Net sales/Income from operations**	3,769.75	1,983.33	11,368.94	6,239.09
2. Expenditure				
a) Increase(-)/decrease(+) in stock in trade	-41.43	12.48	-113.17	1.90
b) Consumption of raw materials	5.48	---	23.18	---
c) Consumption of Stores & spares	74.29	70.52	212.95	209.45
d) Employees Cost	147.07	148.76	492.39	419.51
e) Selling Exps incl. Freight out	399.59	124.12	863.86	468.85
f) Depreciation & DRE	42.04	25.36	124.98	76.62
g) Royalty & Cess	334.18	131.46	931.76	360.61
h) Other Expenditure	111.56	116.79	311.52	356.54
TOTAL	1,072.76	629.49	2,847.47	1,893.48
3. Profit from operations before Other income, Interest & Exceptional items(1-2):	2,696.97	1,353.84	8,521.47	4,345.61
4. Other income	443.28	245.56	1,205.70	861.71
5. Profit before Interest & Exceptional items(3+4):	3,140.25	1,599.40	9,727.17	5,207.32
6. Interest	---	---	---	---
7. Profit after interest but before exceptional items(5-6)	3,140.25	1,599.40	9,727.17	5,207.32
8. Exceptional Items	---	---	---	---
9. **Profit from ordinary activities before Tax(7+8)**	**3,140.25**	**1,599.40**	**9,727.17**	**5,207.32**
10. Tax expenses	1,041.63	533.81	3,227.95	1,760.06
11. Net Profit from ordinary activities after tax(9-10)	2,098.62	1,065.59	6,499.22	3,447.26
12. Extraordinary Items (net of tax expense)	--	--	---	---
13. **Net Profit for the period(11-12):**	**2,098.62**	**1,065.59**	**6,499.22**	**3,447.26**
14. Paid-up Equity Share Capital: Face value per share	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-
15. Reserves excluding revaluation reserves	---	---	18,818.05	13,875.96
16. EPS for the period (Rs.)-Basic and diluted before and after extraordinary items	5.29	2.69	16.39	8.69
	(Not Annualized)		(Annualized)	
17. Public share holding				
-Number of Shares	396,297,820	396,297,820	396,297,820	396,297,820
-Percentage of shareholding	10.00	10.00	10.00	10.00
18. Promoters and promoter group shareholding	-	-	-	-
a) Pledge/Encumbered	-	-	-	-
- Number of Shares	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)				
- Percentage of shares (as a % of the total share capital of the company)				
b) Non Encumbered				
- Number of Shares	3,568,418,180	3,568,418,180	3,568,418,180	3,568,418,180
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	90.00	90.00	90.00	90.00

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in crore)

Particulars	Audited Year ended 31-Mar-11	Audited Year ended 31-Mar-10
SHAREHOLDERS FUND		
a) Capital	396.47	396.47
b) Reserves and Surplus	18,818.05	13,875.96
LOAN FUNDS	-	-
DEFERRED TAX LIABILITY	102.88	84.88
Total	**19,317.40**	**14,357.31**
FIXED ASSETS (Incl WIP)	1,776.43	1,348.44
INVESTMENTS	135.86	76.14
CURRENT ASSETS, LOANS AND ADVANCES		
a) Inventories	415.42	298.75
b) Sundry Debtors	485.40	427.00
c) Cash and Bank balances	17,228.06	12,854.94
d) Other current assets	396.06	163.88
e) Loans and Advances	646.82	519.04
Less: Current Liabilities and Provisions		
a) Liabilities	771.88	867.60
b) Provisions	1,008.84	480.06
MISCELLANEOUS EXPENDITURE (NOT WRITTEN OFF OR ADJUSTED)	14.45	16.78
TOTAL	19,317.40	14,357.31

Segment wise Revenue, Results and Capital Employed under Clause 41 of the Listing Agreement

(Rs. in crore)

	Three months ended		Year ended	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
1. Segment Revenue (net sale/income from each segment)				
a) Iron Ore	3,759.96	1,976.28	11,328.11	6,222.60
b) Other Minerals & Services	22.71	7.05	83.60	16.49
Total	3,782.67	1,983.33	11,411.71	6,239.09
Less: Inter segment revenue	12.92	---	42.77	---
Net sales/ income from operations	**3,769.75**	**1,983.33**	**11,368.94**	**6,239.09**
2. Segment Results (profit (+)/ loss (-) before tax and interest from each segment)				
a) Iron Ore	2,800.05	1,417.33	8,743.70	4,496.01
b) Other Minerals & Services	4.50	-10.82	-14.62	8.98
Total	2,804.55	1,406.51	8,729.08	4,504.99
Less: Interest	---	---	---	---
Add: Other unallocable income net off unallocable expenditure	335.70	192.89	998.09	702.33
Total Profit before Tax	**3,140.25**	1,599.40	9,727.17	5,207.32
3. Capital Employed (Segment assets-Segment Liabilities)				
a) Iron Ore			1,725.61	1,392.10
b) Other Minerals & Services			128.24	90.78
c) Other reconciliation items			17,449.10	12,852.45
Total			**19,302.95**	14,335.33

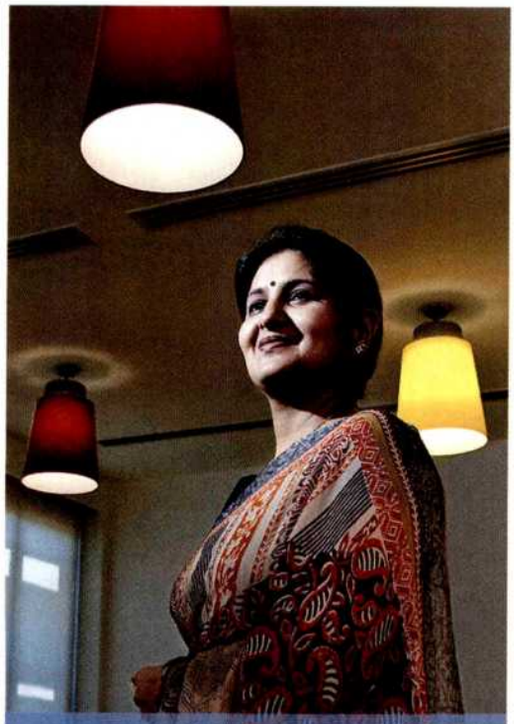
NOTES:

1. The Board of Directors has recommended a final dividend of Rs. 2.15 per share of Re 1/-, in addition to the interim dividend of Rs. 1.15 (paid in Feb 2011) per share of Re .1/- for the year 2010-11.
2. M/s Sponge Iron India Limited, Hyderabad, has been merged with the Company w.e.f. 01-07-2010, in accordance with the orders of the Ministry of Corporate Affairs. The operating loss between the appointed date i.e. 30-JUN-2008 and 31-MAR-2010 amounting to Rs. 36.31 crore has been adjusted against the General Reserve. The accounts of the unit have been incorporated from 01-APR-2010. The impact of the operating results of the unit on the accounts is not significant.
3. During the year, the Company has implemented revised salaries and wages to its employees except at Sponge Iron Unit, with effect from 1st Jan 2007. As a result, after adjustment of arrears paid, the wage revision provision has been reviewed and the excess provision amounting to Rs. 64.42 crore has been withdrawn and recognized as 'other income'.
4. The increase in selling expenditure is due to increase in Railway Freight on exports and Export Duty on Iron ore.
5. The increase in royalty expenditure is due to full year impact of revision in rate of royalty from fixed rate per tonne to advalorem basis with effect from 13-08-2009.
6. Action has been initiated to sell the plant and machinery of Silica Sand Project, Lalapur and UPFO Plant, Vizag.
7. The Company has received 91 complaints from Investors (mainly in connection with FPO) and all of them have been disposed off; therefore, complaints lying unresolved at the quarter ended 31-Mar-2011 be treated as "NIL".
8. The above financial results have been reviewed by the Audit Committee at its meeting held on 27-May-2011 and approved by the Board of Directors at its meeting held on 27-May-2011.
9. The above financial results are subject to audit under Sec 619(4) of the Companies Act, 1956 by the Comptroller and Auditor General of India.
10. Figures for the previous year have been regrouped wherever considered necessary so as to conform to the classification of the current period.

For and on behalf of NMDC Limited
Sd/-
Rana Som
Chairman-cum-Managing Director

Place : New Delhi
Date : 27th May, 2011

NMDC Limited
(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A,
Castle Hills, Masab Tank, Hyderabad - 500 173.
www.nmdc.co.in



RACHIT GOSWAMI/www.indiatodayimages.com

ASHU SUYASH, Country Head, Fidelity International
"We follow an investor and not a trading approach"

Fidelity Mutual Fund (Equity)

Ashu Suyash, Managing Director and Country Head, Fidelity International, which won the award for Best Equity Fund House, says the group's achievements are the result of its investment philosophy. Since its 2005 launch in India, Fidelity has followed the parent group's 360-degree approach to investment selection. "Research forms the bedrock of our investment portfolio," says Suyash. "What we talk about is high quality and consistent returns."

Through the 'super boom' of 2007 and early 2008, the fund house opted to stay cautious. While it was not lured by the booming real estate sector, its fund managers were quick to tap the promising financial services companies, ahead of the market.

"We follow an investor and not a trading approach," says Suyash. "We focus on long-term money and avoided volatile short-term money."

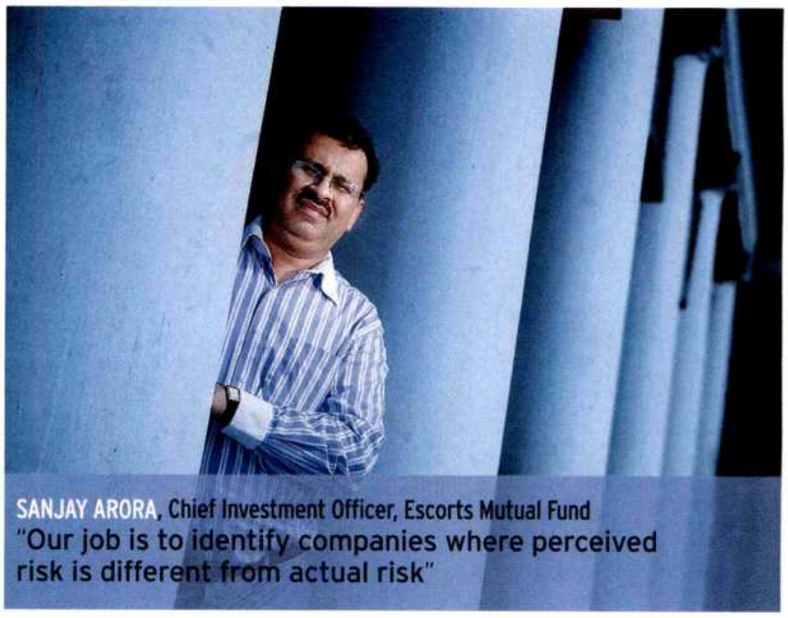
Fidelity as a fund house is no stranger to volatility. "But there was no need to react since very little money came in and went out during the most volatile phase of 2008 and 2009," says Suyash. "And volatility has never been a reason to sell." ◆

RAJIV BHUVA

Escorts Mutual Fund (Bond)

With a mix of the right strategies and calculated risks, Delhi-based Escorts Mutual Fund, or EMF, has turned in a performance that enabled it to bag the Best Bond Fund House Award this year. The fund house currently runs five debt schemes – Liquid Plan, Gilt Plan, Floating Rate Fund, Income Bond and Income Plan. Floaters and liquid funds suit investors who want to park their money for a few months while income and gilt funds are ideal for investors seeking long-term capital growth. "Selection of papers is crucial to both of them," says Sanjay Arora, Chief Investment Officer, EMF.

The challenge is to give above-category returns during a high interest rate regime, he adds. "Our job is to identify companies where perceived risk is different from actual risk."



SAPTARSHI BISWAS/www.indiatodayimages.com

SANJAY ARORA, Chief Investment Officer, Escorts Mutual Fund
"Our job is to identify companies where perceived risk is different from actual risk"

Besides rigorous pre-investment assessment, EMF uses a strategy to invest in companies where credit ratings are likely to improve. "Typically, when the rating improves, the yield goes down and the value of paper increases which results in capital appreciation," he adds. ◆

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How We Did It

To arrive at the Lipper Mutual Fund Awards 2011 winners, Thomson Reuters used several criteria. The primary ones: the funds, as of end-December 2010, should have been registered for sale in India, and should have had a minimum of 36 months of performance history. The Lipper Global classifications with at least 10 distinct portfolios based on the primary share class definition were applicable. Residual classifications, institutional, private, closed-end, exchange traded and insurance-linked funds were excluded. The asset classes looked at were equity, bond, and mixed-assets, except for the Absolute Return Funds category where the money market and other fund asset types were considered as well.

Fund Classification Awards

The currency for the calculation corresponded to the Indian Rupee and relied on monthly data. Classification averages were calculated with all eligible share classes for each eligible classification. The calculation periods extended over 36, 60, and 120 months. The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determined the fund classification winner over three, five, or 10 years.

Asset Class Group Awards

Fund groups with at least five equity, five bond, or three mixed asset portfolios in the respective asset classes were eligible for a group award. The lowest average decile rank of the three years' Consistent Return measure of the funds was used to determine the winner. Calculated on a scale of one to 10, a decile ranking of one denotes a fund's return was in the top 10 per cent among its peers, and so on for two (top 20 per cent) and numbers to 10. In cases of identical results the average percentile rank determined the winner.

Overall Group Award

Fund groups with at least five equity, five bond, and three mixed asset funds were also eligible for an overall group award. An overall group award is given to the group with the lowest average decile ranking of its respective asset class results. In cases of identical results the lower average percentile rank determines the winner. ◆

OTHER WINNERS

Mrinal Singh
ICICI Prudential AMC

Winner in the 5-and 10-year equity (Information Technology) category.

Chirag Setalvad
HDFC Mutual Fund

Winner in the 3-and 5-year mixed asset (Balanced) category.

Dhawal Dalal
DSP BlackRock

Winner in the 10-year government bond category.

Amandeep Singh Chopra
UTI Mutual Fund

Winner in the 5-and 10-year mixed asset (Conservative) category.

Atul Kumar
Quantum AMC

Winner in the 3-year equity category.

Amit Tripathi (L), Ashwani Kumar
Reliance Mutual Fund

Winners in the 3-year mixed asset (Conservative) category.

Sanjay Parekh
ICICI Prudential AMC

Winner in the 3- and 5-year mixed asset (Flexible) category.

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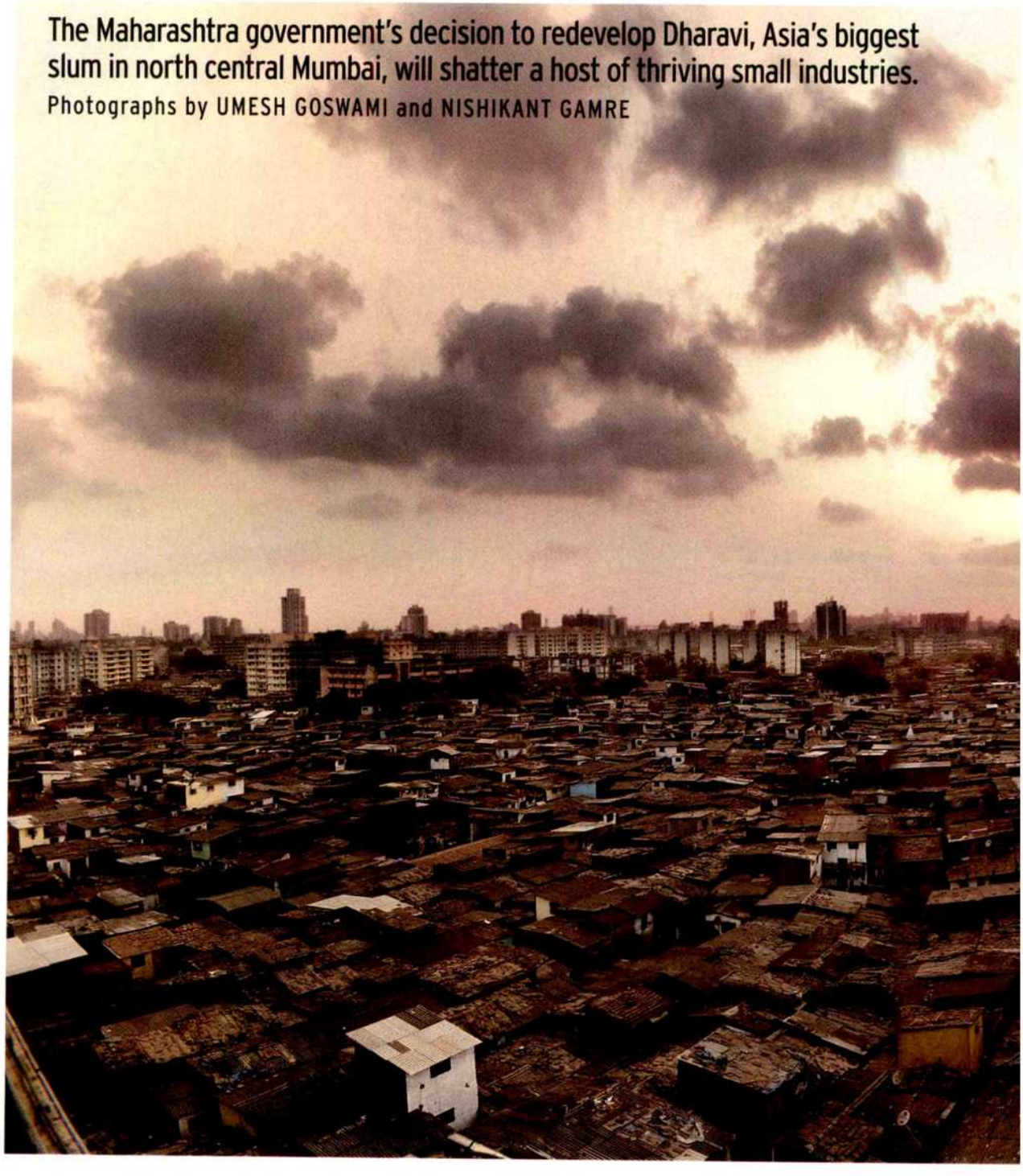
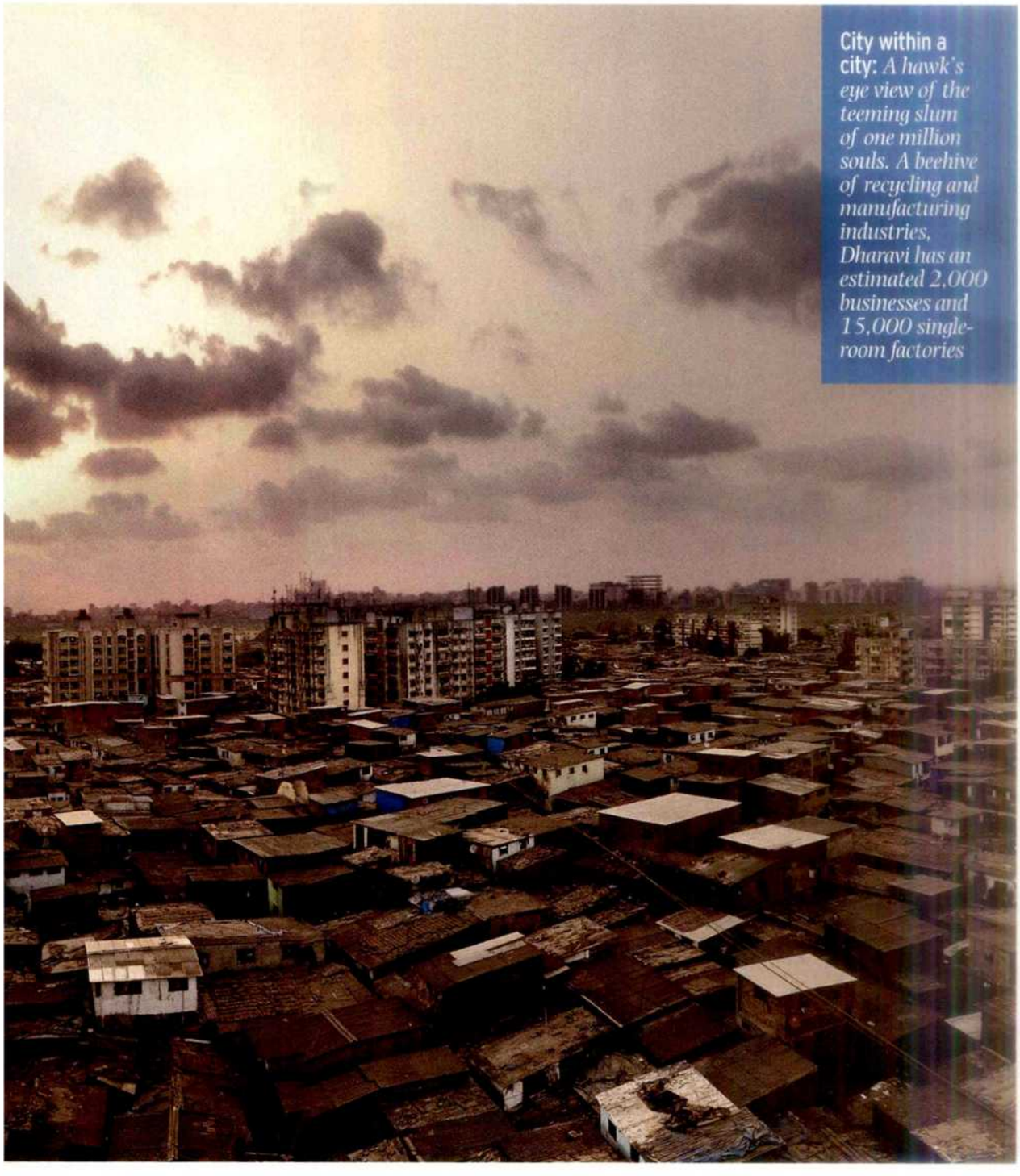
Zero Slum

The Maharashtra government's decision to redevelop Dharavi, Asia's biggest slum in north central Mumbai, will shatter a host of thriving small industries.

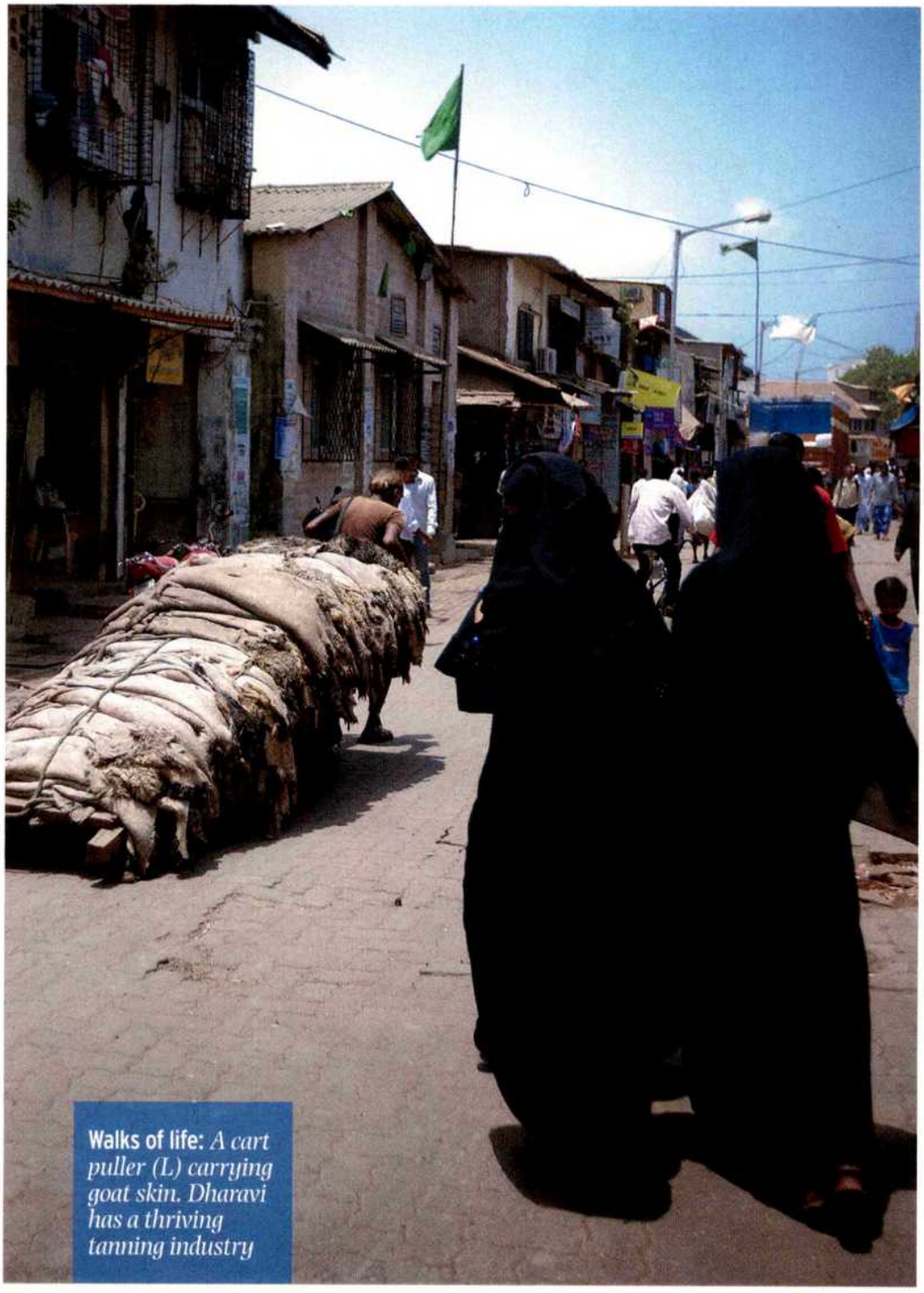
Photographs by UMESH GOSWAMI and NISHIKANT GAMRE



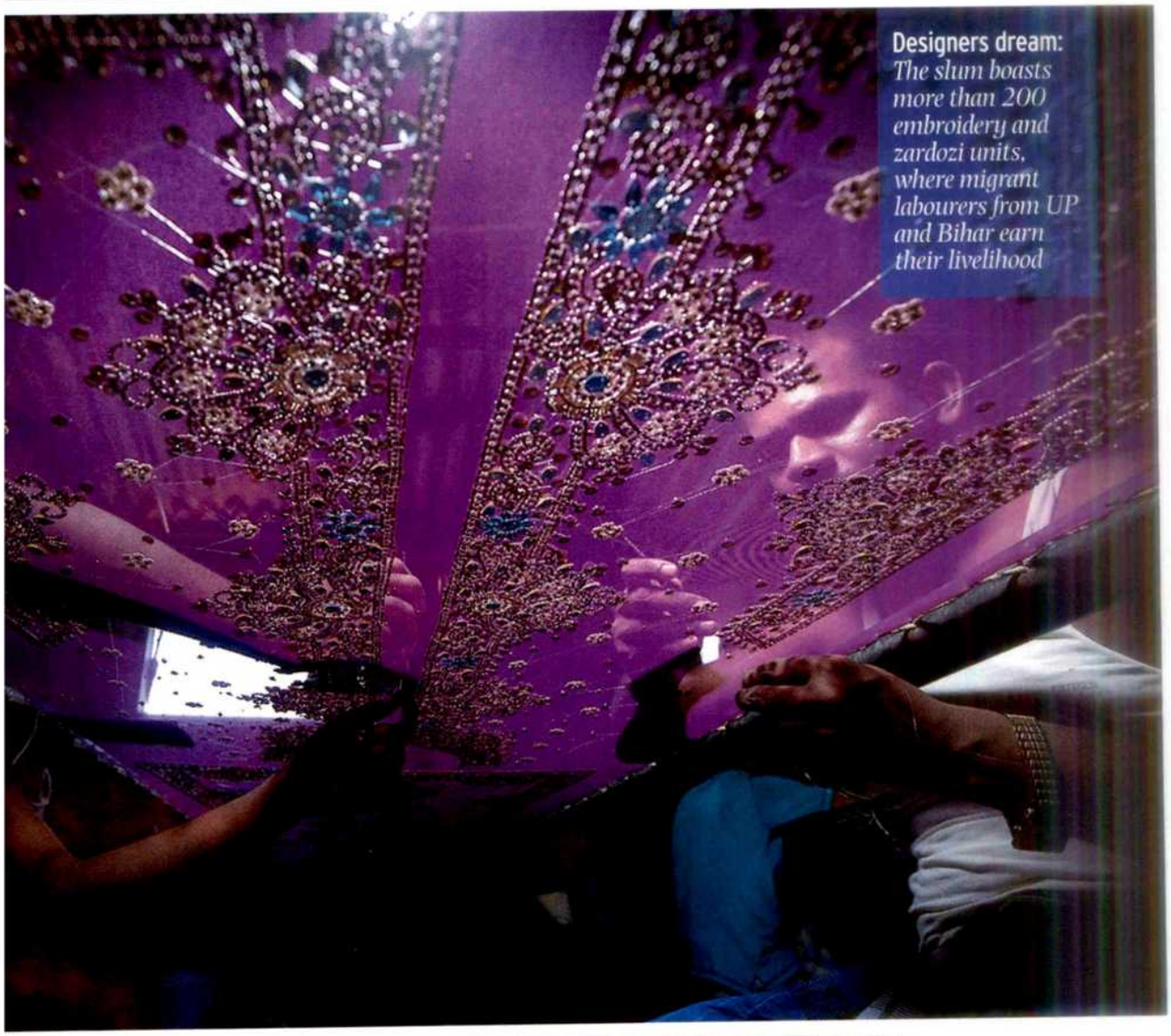
Game



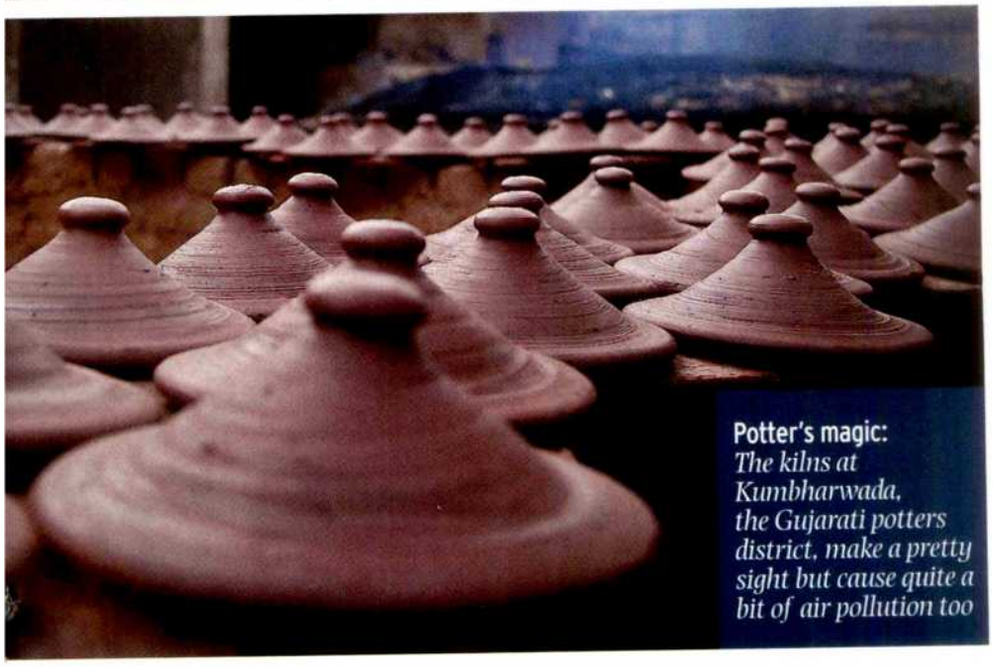
City within a city: *A hawk's eye view of the teeming slum of one million souls. A beehive of recycling and manufacturing industries, Dharavi has an estimated 2,000 businesses and 15,000 single-room factories*



Walks of life: *A cart puller (L) carrying goat skin. Dharavi has a thriving tanning industry*



Designers dream: *The slum boasts more than 200 embroidery and zardozi units, where migrant labourers from UP and Bihar earn their livelihood*



Potter's magic: *The kilns at Kumbharwada, the Gujarati potters district, make a pretty sight but cause quite a bit of air pollution too*

Snacks galore: *The sev gathias and chaklis made in Dharavi sell widely. Farsan, another savoury, is also made here*

Land of recycling: *Over 4,000 tonnes of waste is processed here every day, from paper to glass to plastics to tin to aluminium to paint*

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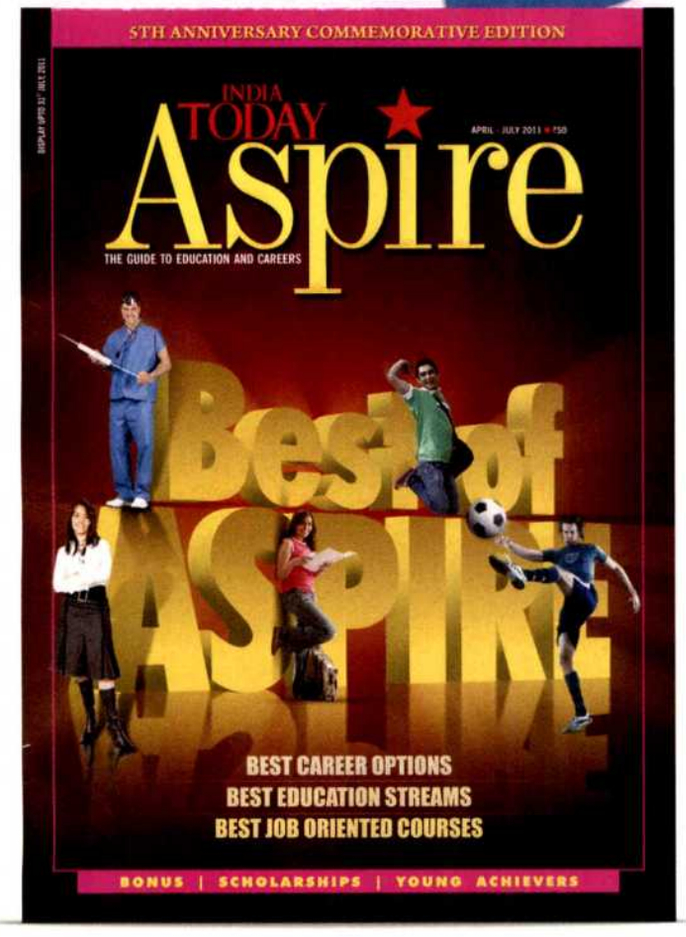

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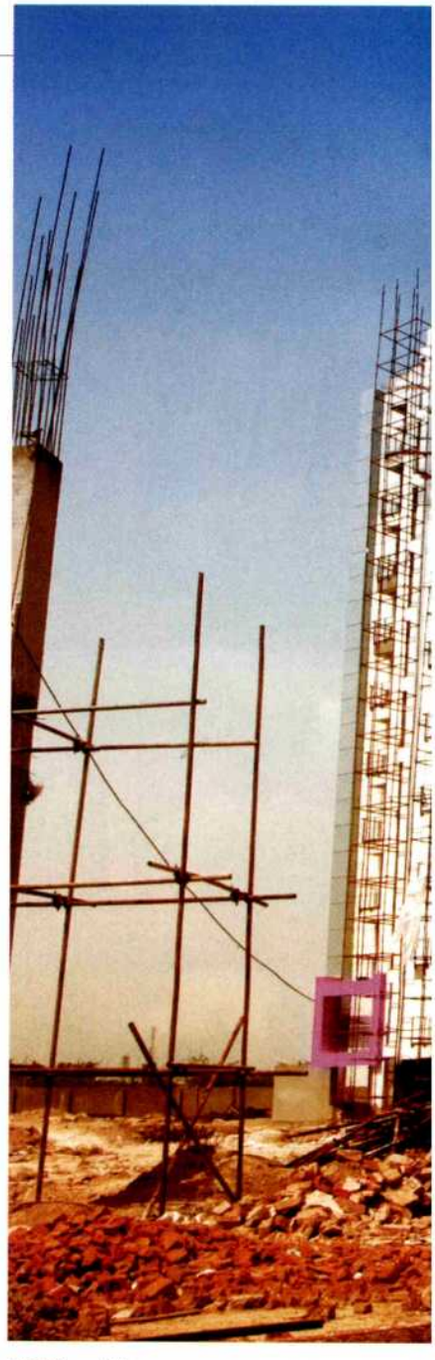
SPECIAL ISSUE ON SALE NOW

Room in the Middle

Global hotel chains are rushing to bridge the wide supply gap in the Indian mid-market segment.

By ANUMEHA CHATURVEDI



IHG will open **19 Holiday Inn Express** hotels by 2016

In April this year, the Intercontinental Hotels Group, or IHG, the world's largest hotel group by number of rooms, signed a 20-year management contract with Duet India Hotels to launch 19 Holiday Inn Express hotels in India by 2016. Duet India Hotels, the hotel investment arm of global asset manager Duet Group, has set aside around $145 million (₹650 crore) for the project. IHG, which will run the hotels and formulate expansion plans, will put in $30 million for a 24 per cent stake in the venture.

IHG's Holiday Inn Express Hotel chain is specifically tailored for the mid-market segment. It is one of the fastest-growing brands in the world, opening two hotels a week on average globally. Considering that seven of the 12 hotels IHG currently runs in India are in the luxury segment, the deal reflects the changed strategy of the brand. "We haven't always made the right choices in India and our brands have suffered," says Chris Moloney, Chief Operating Officer, South West Asia, IHG. The first two hotels will come up in Ahmedabad and Goa next year. The hotel behemoth will open luxury hotels in India, too, but 75 per cent of its future projects in India are tailored for the mid-market. It has been ramping up infrastructure, opening sales offices and business support centres in Mumbai and Delhi to leverage facilities to build centralised services for its expanding mid-market chain.

CHECKING IN

Its target: domestic travellers in India, which already number around 563 million compared to inbound arrivals of five million passengers, according to an estimate by audit and consulting firm Deloitte. "The country's robust GDP growth means more business travel and hotel stay," says Navneet Bali, Chief Investment Officer, Duet India Hotels. "Yet India

"The market drove the rates so much that mid-market is not mid-market anymore"

Rahul Chaudhary (left)
Executive Director, with
Kevin J. Beauvais, Co-Founder and CEO, Zinc InVision Hospitality

SAPTARSHI BISWAS/WWW.INDIATODAYIMAGES.COM

Starwood will open **three Aloft hotels** this year

Zinc InVision will open its first Glow Studio in Noida this August

Accor will open **two Novotels** this year

is a greatly undersupplied market. Beijing has more hotels than all of India." The costs of building such hotels are also relatively modest, compared to the five-star ones. "The costs of acquiring land per room are low. We can build these hotels faster and more efficiently," Bali adds.

IHG is not alone. A range of leading global hotel chains have planned massive investments in India's mid-market segment – or hotels with a room tariff of around $100 (₹4,500) per night in big Indian cities – in the next four years. Starwood Hotels and Resorts Worldwide, which owns brands like Le Meridien and Sheraton, intends to set up 100 hotels in India by 2015. It already has 32, most of them five- star brands like The Luxury Collection, Le Meridien and W, but its current thrust is overwhelmingly on its mid-market brands like Aloft or Four Points by Sheraton. "India is our fastest-growing market after China," says Frits Van Paasschen, President

"India is our fastest-growing market after China, and we are looking at our plans as long term opportunities"

Frits Van Paasschen
CEO, Starwood Hotels and Resorts Worldwide

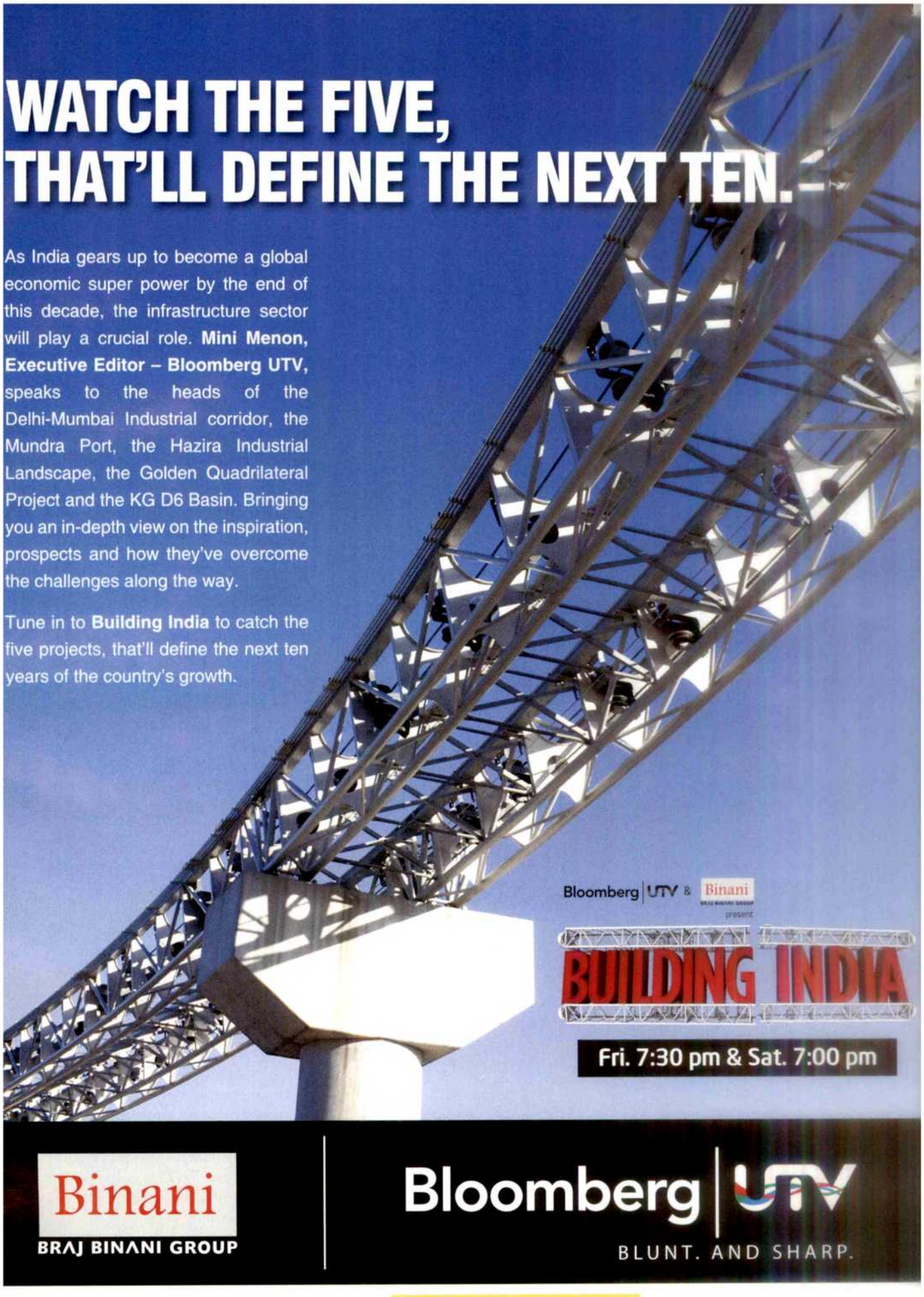
and CEO, Starwood Hotels. "We see our plans as long-term opportunities over the next decade to grow our businesses here." Seven hotels were scheduled for launch this year of which five are mid-market: the two that have already begun functioning, in Visakhapatnam and Pune, are both in this category under the Four Points by Sheraton brand. So too are three of the remaining five, being built under the Aloft brand in Ahmedabad, Coimbatore and Chandigarh.

Accor, another top global hotel chain, which at present has nine hotels in India under the brands Mercure, Ibis and Novotel, plans to raise the number to 90 by 2015. Though some of its five-star brands will also make their debut in India this year, Accor is pushing hard its budget and mid-market brands, Ibis and Novotel: seven new Ibis hotels will open this year, 13 more Novotel hotels in the next three years. It has also set up an investment fund with global travel services firm Interglobe to further its India programme.

Yet another entrant is Zinc InVision Hospitality, a joint venture between InVision Hospitality, a Thailand-based hospitality management and consultancy firm, and Zinc Holdings, the Singapore-based investment arm of Cinnovation CG, belonging to Nepal's Chaudhary Group. While Zinc Holdings holds substantial shares in the Taj Safari properties in India, the joint entity is now venturing separately into the country as well, bringing – as expected – not its upscale brands like Soma and Zinc Journey, but its mid-market ones Zinc City and Glow Studios. Zinc InVision is targeting places like Amritsar, Chandigarh and Haridwar, satellite towns like Noida and Mohali, information technology hubs and special economic zones. It projects revenues of $16 million by 2013. The first Glow Studio will open in Noida in August. "The luxury market is getting saturated," says Rahul Chaudhary, Executive Director, Zinc InVision. "We are very clear about the tariff bracket in which we want to be. It has to be $100 or even less in any market in India we go to."

Eschewing five-star indulgences and deluxe amenities, mid-market hotels – a notch above budget or economy hotels – offer clean, comfortable rooms equipped with TV and Internet, and breakfast included in the room tariff. The total current shortage of rooms has been estimated at 150,000 by the tourism ministry, according to the Deloitte report, most of it in the mid-market segment. Just 15 per cent of the existing hotel rooms in India fall in the mid-market segment, compared to 43 per cent in the United States and 35 per cent in Britain. "The room supply structure in India is like an inverted pyramid," says Patu Keswani, founder of the indigenous Lemon Tree brand of mid-market hotels. "There are more five-star rooms, though rising demand is in the mid scale sector."

Most Indian cities are acutely



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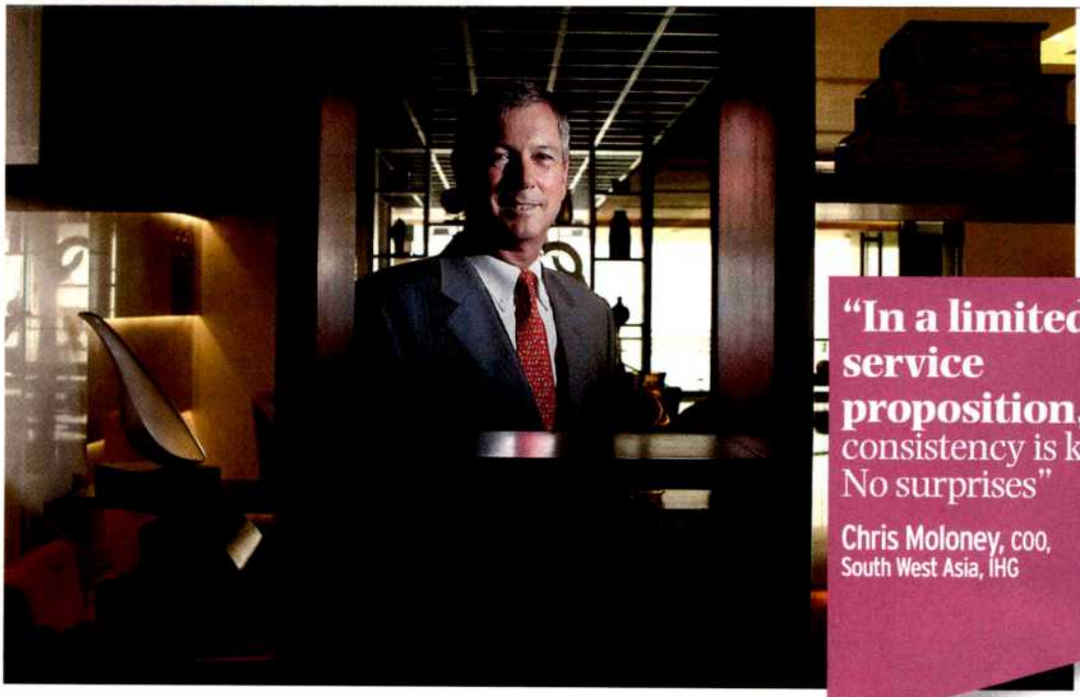

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"In a limited service proposition, consistency is key. No surprises"

Chris Moloney, COO, South West Asia, IHG

affected. Even the few exceptions like Pune, which is said to have excess room supply, will not remain so for long, feel industry watchers. "There is oversupply of rooms in Pune, but in the long term it will not be enough given the rising economic growth," says Sanjay Dutt, CEO, Business, Jones Lang La Salle, India, a real estate services firm, .

"We're witnessing a 50 per cent growth in domestic travel. About 40 per cent of the bookings on our website are for mid-market hotels," says Anand Kandadai, Senior VP, Sales & Distribution, at online travel portal MakeMyTrip.com. "The sector, which had only a few recognisable brands like Lemon Tree till now, will get more organised with the entry of these international chains," says Dutt.

A report last year by HVS, a consulting and services organisation focused on the hospitality sector, also credits the sudden rush of international hotel chains into India to favourable government policies, as well as improved roads and airport infrastructure. "The Reserve Bank of India's ruling, that loans for hotel construction will not be classified as commercial real estate, (and) the relaxation in external commercial borrowing norms have helped the sector," it notes. It adds that the process of loan syndication by which banks work together to finance hotel projects while taking on just the level of exposure each bank wants to and no more, has also helped. "This has made it easier for borrowers to obtain debt financing, and often at lower interest rates," it says.

Severe Shortage

The cities of New York, London and Beijing each have as many hotel rooms as all of India

125,000: Number of hotel rooms in India

46,000: Number of rooms belonging to branded hotel chains

18,750: Rooms in the mid-market segment

150,000: Government estimate of current room shortage, most of it in the mid-market category

75,000: Industry estimate of additional rooms required in the next five years as business and leisure travel increases

Sources: HVS, Deloitte, World Travel and Tourism Council

Hoteliers acknowledge that pricing will be crucial to their success. They all intend to stay close to the golden mean of ₹4,500 per night charge matching any rise in tariff with additional amenities like pools, lounges and bars. "Brands like Lemon Tree started out with rates of ₹3,000 to ₹4,000, but the market drove up their rates so much that they now charge around ₹7,000," says ZincInVision's Chaudhary. "Mid-market is not mid market anymore." Keswani acknowledges the spike in rates in the metros, saying rising land and construction costs left him no choice. "In a limited service proposition, consistency is key. No surprises. Most domestic travellers are looking for accommodation that is contemporary, secure and clean," says Moloney of IHG. "They don't want bellmen escorting them to their rooms. They don't want other fancy elements provided by luxury hotels. They just want to stay, get on with their business and move on." ◆

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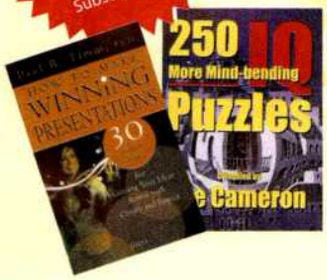

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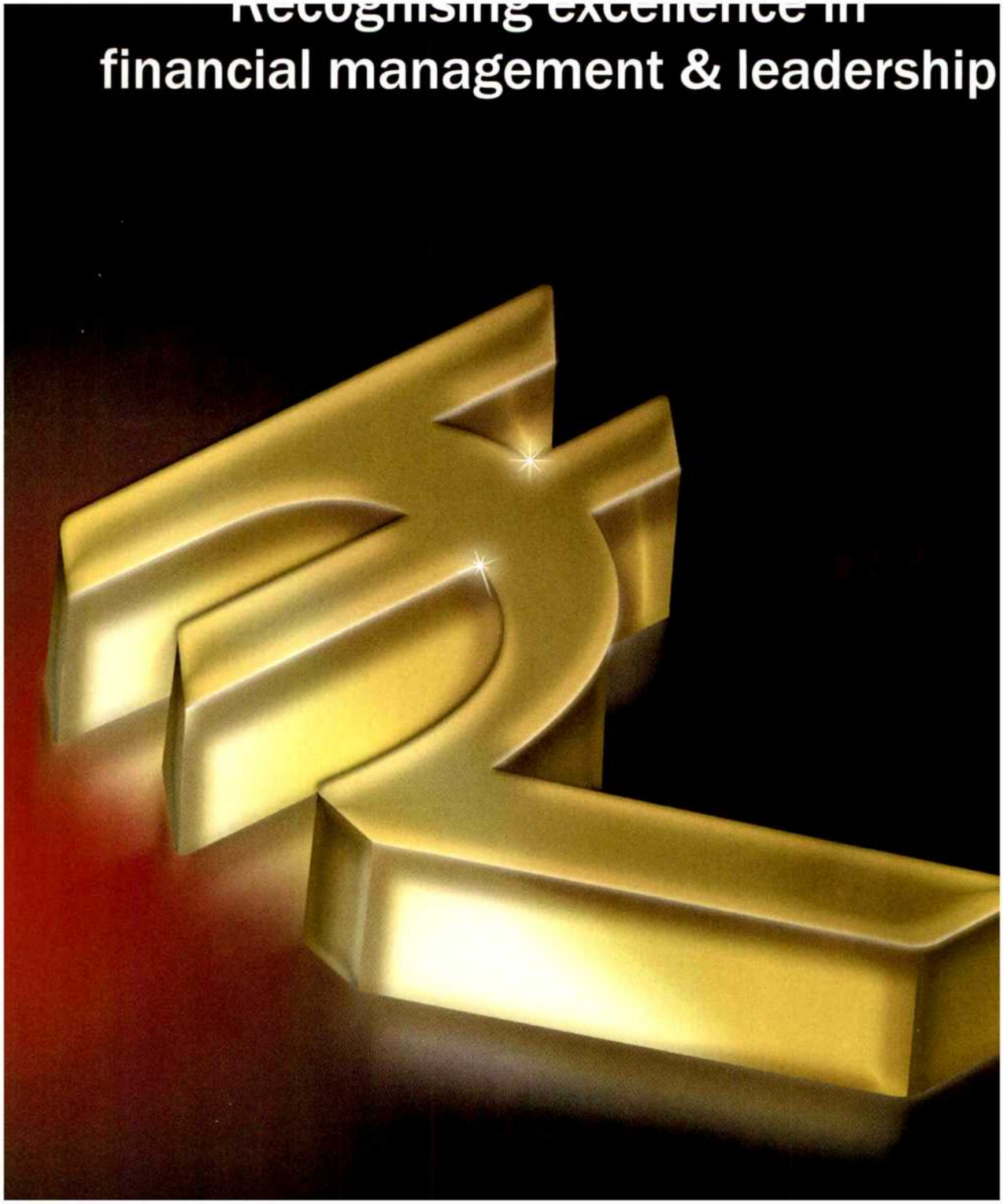
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DOING WITHOUT THE FUND MANAGER

Funds for the Less Adventurous

Mutual Funds that adopt a guarded approach towards investing in equities show low volatility and are good bets for the risk-averse. By CHANDRALEKHA MUKERJI

Considering the volatile nature of equity, a conservative approach in equity funds sounds like an oxymoron. "The only way of being conservative in equity funds is by investing in funds that fall less in a sliding market," says Arvind Bansal, Vice President and Head, Multi Manager Investments, ING Investment Management. "Such funds invest in companies with strong balance sheets, cheap valuations, high dividend yield – lowering the probability of loss in adverse market conditions."

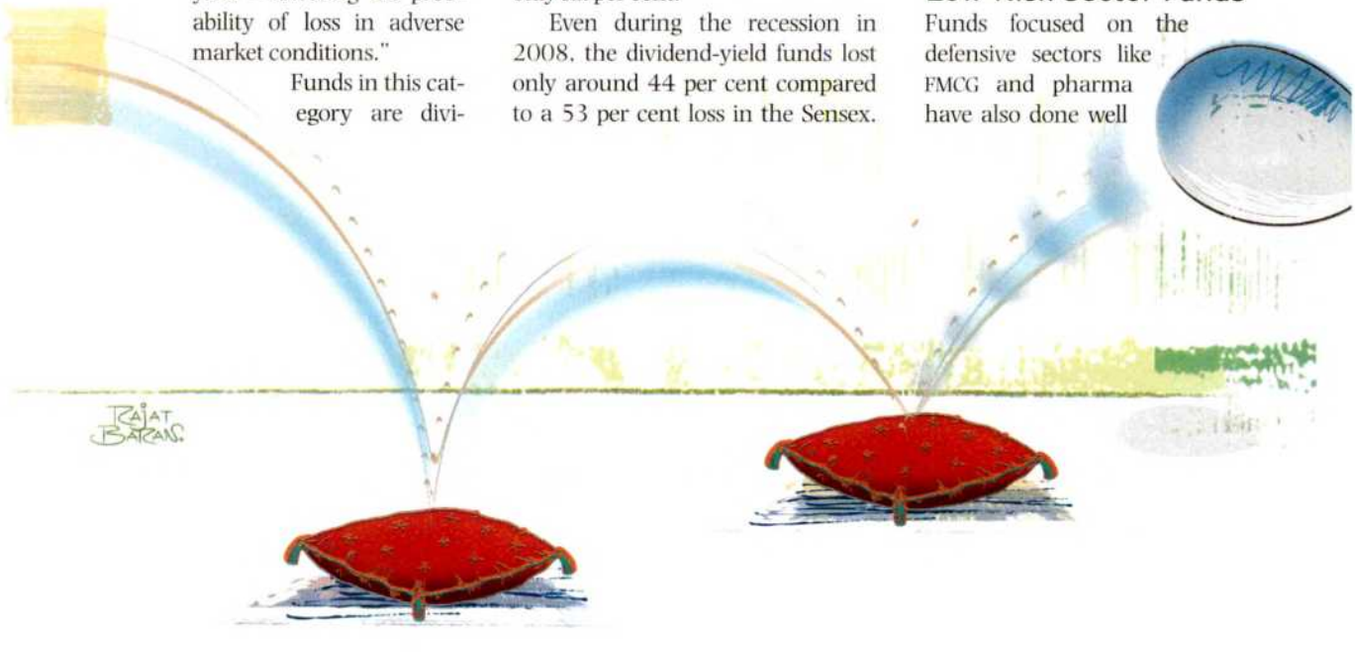
Funds in this category are dividend yield funds, contra funds and value funds. In the past three years – from 28 April, 2008 to 28 April, 2011 – on an average, dividend-yield funds have given an annual return of 15 per cent with the minimum and maximum returns being eight per cent and 20 per cent, respectively (see *Low Risk, Big Returns*). Compared to this, the Sensex has delivered a return of four per cent for the same period while the equity-diversified category has given a return of only six per cent.

Even during the recession in 2008, the dividend-yield funds lost only around 44 per cent compared to a 53 per cent loss in the Sensex.

"These funds invest in companies that pay regular dividends and have better cash flows, hence have allocations in sectors like FMCG and public sector banks. Thus, these are defensive bets for conservative investors," says Swapnil Pawar, Chief Investment Officer, Karvy Private Wealth. FMCG companies form a huge chunk of investment of these funds. These stocks figure among the least volatile stocks listed.

Low-Risk Sector Funds

Funds focused on the defensive sectors like FMCG and pharma have also done well



Low Risk, Big Returns

Fund Name	6 Months	1 Year	3 Years	5 Years	Beta (Correlation)
Birla SL Dividend Yield Plus (G)	-7.21	16.36	20.53	15.23	0.62
BNP Paribas Dividend Yield (G)	-5.66	13.92	14.15	8.80	0.73
ING Dividend Yield (G)	-6.95	13.45	17.18	15.04	0.73
Principal Dividend Yield (G)	-8.55	13.30	8.27	6.66	0.82
Tata Dividend Yield (G)	-3.08	17.63	14.13	15.07	0.69
UTI Dividend Yield (G)	-2.57	15.90	16.72	17.40	0.74
Dividend Yield Funds Category Av.	**-5.67**	**15.09**	**15.16**	**13.03**	**0.72**
Franklin FMCG	-0.78	24.02	19.75	12.06	0.51
ICICI Pru FMCG	2.67	28.33	11.43	11.15	0.56
SBI Magnum FMCG	1.69	32.06	24.25	13.05	0.60
FMCG Funds Category Average	**1.19**	**28.13**	**18.48**	**12.09**	**0.56**
Franklin Pharma	0.24	16.36	29.91	16.60	0.42
Reliance Pharma	-0.23	14.42	32.65	21.76	0.48
SBI Magnum Pharma	0.27	17.38	11.88	3.11	0.43
UTI Pharma & Healthcare	1.00	18.07	20.04	11.41	0.47
Pharma Funds Category Av.	**0.32**	**16.56**	**23.62**	**13.22**	**0.45**
Equity Diversified Equity Category Average	**-7.71**	**7.93**	**6.08**	**9.05**	**0.81**
BSE SENSEX	**-3.25**	**11.00**	**4.27**	**10.23**	

Figures as on March 31, 2011

in the last five years. The top fund in the pharma category, Reliance Pharma, has returned 22 per cent CAGR over the last five years. "Ideally, for conservative investors, exposure to large-cap stocks should be higher as they stabilise the returns when the markets fall," says Pawar. Franklin Bluechip Fund has been among the best performing funds in the large-cap category, posting an annual return of 12 per cent over the last three years and 13 per cent over the last five years compared to the Sensex return of four per cent and 10 per cent. Also, in a conservative portfolio, the allocation to mid-caps should be minimised to reduce risk.

For the More Conservative

Asset-allocation plans provide a portfolio of a fixed or variable mix of equity, debt and cash equivalents. Some asset-allocation funds maintain a specific proportion of asset classes over time, while others vary the composition depending on future outlook of each asset class. "Asset-allocation funds suit conservative investors as they help to diversify and manage risk, which are difficult things for most people to do on their own," says Pawar of Karvy. Balanced funds are the most basic form of an asset-allocation fund. "However, their equity allocation is higher than 65 per cent. If you want a more defensive play, you could look at investing into monthly plans with 25 per cent into equity," says Anil Rego, CEO, Right Horizons.

According to Pawar, one should choose a fund depending on the debt-equity allocation. Further, portfolio composition within each asset class should be looked at. For instance, equity holding in the funds should ideally be in large-cap stocks and diversified across stocks. Though conservative funds should be an integral part of an investor's allocation as when markets change and these portfolios provide the cushion, one should not expect such funds to be the best performers at all times, especially in a serious bull run. ◆

Courtesy: *Money Today*

A CONSERVATIVE PORTFOLIO PLAN LOOKS AT FUNDS THAT OFFER

Sustained performance: Indicates strong fund management

Low volatility of returns: Standard deviation of returns and difference in the performance of a fund over time indicates the volatility of returns

Low beta: Beta is a measure of the correlation of fund returns to market returns. A lower beta indicates lesser volatility

High Sharpe Ratio: This ratio an indicator of the risk-adjusted return of the fund. A higher Sharpe ratio implies possible higher returns

These funds invest in firms that regularly pay dividends and have good cash flows, with major allocations in FMCG companies and public sector banks

Doing Without the Fund Manager

Index funds do not promise benchmark-beating returns, but their low-cost, low-risk fund management lends stability to your portfolio. By DIPAK MONDAL

Index funds are meant for those investors who do not want to take risks and are happy with nominal returns

If you want to invest in equity mutual funds but are not confident about the abilities of fund managers, index funds can be a good option for you. Index funds are equity funds that replicate a particular equity index by investing in stocks that the index tracks. As each stock has different weightage in an index, the portfolio of an index fund is allocated in a way to mirror that of the index. For example, if Reliance Industries has a weightage of 10 per cent in an index, a fund based on the index would also allocate 10 per cent of its portfolio to the stock. The advantages of index funds include:

No Fund Manager Risk: This strategy of building an equity fund portfolio, called passive fund management, nullifies the risks associated with a fund manager, be it the possibility of his quitting the fund or taking wrong investment calls. Krishnamurthy Vijayan, CEO, IDBI Mutual Fund, says index funds are independent of the competence of a fund manager, his longevity or his character. Jaya Prakash, Head, Products, Franklin Templeton Investments, says index funds are ideal for those who prefer to take only market risk and not fund manager risk.

Lesser Portfolio Churn: As the portfolio is based on a particular index, there is less churning. The investor saves on the brokerage and transaction cost.

Low Expense Ratio: The role of fund managers being limited, fund management

Slow but Steady

Name	AAUM* (₹ cr)	1-year	3-year	5-year	Expense Ratio
HDFC Index Sensex Plus	60.36	14.63	12.06	14.06	1.00
Nifty Junior BeES	114.98	4.79	11.62	11.62	1.00
ICICI Prudential SPIcE	1.05	11.83	8.87	12.11	0.80
UTI Sunder	0.70	12.91	8.56	12.53	0.50
ICICI Prudential Index Retail	92.01	11.88	8.04	12.56	0.67
Franklin India Index BSE Sensex	60.74	11.29	7.68	11.40	1.00
Nifty Benchmark ETS	619.83	11.98	7.62	12.07	0.50
UTI Master Index	68.91	11.48	7.35	11.26	0.75
Franklin India Index NSE Nifty	130.07	11.15	6.98	11.17	1.00
Tata Index Sensex A	5.38	10.56	6.91	10.65	1.50

*Annual assets under management

Figures as on March 31, 2011

charges are also lower in index funds, as a result of which the expense ratio is lower than that of actively managed funds. The average expense ratio of an actively-managed fund is 2 to 2.5 per cent, while it is one to 1.5 per cent in the case of index funds.

Traded on Exchanges: Usually, normal funds can be bought and sold only at the net asset value, or NAV, declared at the end of the day. But in case of index funds, one can buy and sell any time of the day at the price prevailing at that particular time. This way, one can get a price advantage not available in non-exchange traded funds.

Performance Comparison

However, index funds lag many actively managed funds in terms of returns. In the three-year period up to March 31, 2011, the returns from non-sectoral index funds were in the range of 3 to 12 per cent with only two – HDFC Index Sensex Plus and Nifty Junior BeES – of the 22 funds with more than three years of existence giving double-digit returns. (See *Top 10 Index Funds*)

The difference in returns from the respective indices (also called tracking error) is due to fund management and trading cost, time-lag in collecting and allocating the money and, at times, holding high cash.

On the other hand, over 80 actively managed equity funds gave over 10 per cent annualised returns, with the highest being 23 per cent by ICICI Prudential Discovery Institutional during the aforesaid period. Yet, during the same period, 20 actively managed equity diversified funds also posted negative returns while not a single index funds did so. In fact, none of the index funds gave negative return in the one-year, three-year and five-year period to March 31. This shows that though the upside is lower, index funds can also limit the losses caused by the fund managers' wrong calls.

Most financial planners and mutual fund experts though believe that it will take some time for index funds to become popular in India as there is scope for actively managed funds to beat the benchmark indices consistently. "Returns from index funds are smaller compared to other diversified equity mutual funds, and investors generally avoid these. It has been proven that some random stocks could beat market returns," says Joseph Thomas, Head, Investment Advisory & Financial Planning, Aditya Birla Money.

Sumeet Vaid, founder and CEO, Ffreedom Financial Planner, says Indian equity markets are less efficient than those in developed countries in terms of uniform flow of information about particular companies and stocks. "This offers opportunity to fund managers to find stocks that can beat the benchmark indices consistently," he adds.

Index funds, despite their not giving very high returns, can be a good option for investors who want to invest in equities but are looking to minimise the risk involved in doing so. ◆

Courtesy: *Money Today*

2.5%

is the average expense ratio of an actively managed fund, while it is 1 per cent in the case of index funds

SILVER LINING AROUND THE CLOUD

Cloud computing has more benefits than meets the eye, going the cloud way could be the hope for businesses in developing nations to come at par with the global players

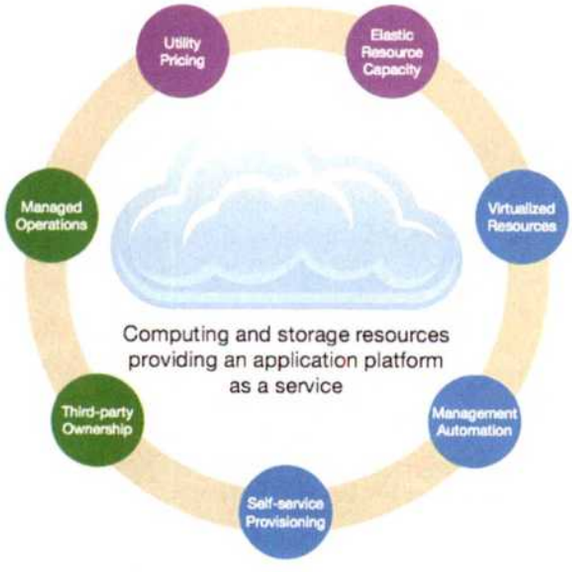
Gone are the days when elaborate IT expenditures to keep up with technology and connect to your workforce at the same time sucked in a huge chunk of your resources. The solution is here and its simple- just go the Cloud way! Cloud computing is the latest in IT solutions for your business; it is a phenomenon that has captured the interest of many businesses around the world has already generated over 68.3 billion USD as of 2010.In the traditional model of computing both data and software are fully contained in the users' computer. In Cloud computing, the users' computer may contain almost no software or data(perhaps a minimal operation system and web browser only) serving as little more than a display terminal for processes occurring on a network of computers far away.

Small and medium enterprises have till now been compromising on their IT needs due to the high cost involved; however with the advent of the Cloud, the proliferation of IT in most large organizations has leveled the playing field making way for developing nations to surge ahead and be featured on the global economic map. The advent of the Cloud is nothing short of heralding a new era in IT for developing nations. The pay per usage model of the Cloud makes it a universally accessible IT solution for all your business needs. In order to make good use of the Cloud, it is important to understand what constitutes the Cloud. Simply put, the Cloud can be defined as a combination of internet based data access and exchange along with internet based access to low cost computing and applications. While the Cloud is believed to benefit all sectors, it definitely is known to have its special impact on the Government, Healthcare, Education and SME industries.

The Cloud reduces the cost burden on enterprises because of its usage based pricing model which is a breather for developing countries. The user group of Cloud services can also enjoy its various other benefits like scalability, On-Demand services and flexibility.

The Cloud is a technological breakthrough that not only impacts the way computing services are and will be delivered but it will also change the way the users use IT. Adapting to the Cloud shall also require businesses to redefine their business models to better reflect the change brought about by this advanced IT solution.

THE SEVEN ELEMENTS OF CLOUD COMPUTING VALUE



Economic Elements:
Pay-as-you-go, pay-as-you-grow, no CAPEX.

Architectural Elements:
Simple, abstract environment for development.

Strategic Elements:
Focus on your core business, leave the rest to someone else.

India owing to its huge population is often not equipped with enough resources to embrace technical innovations. It is even harder for individuals who need resources to do their personal researches. With the advent of the Cloud, this challenge can be met head on. Like electricity, internet and mobile services, the nation will see a paradigm shift in technology as IT services are made available through a pay per usage medium all thanks to the Cloud. What's more is that earlier Indians had to face the scarcity of IT solutions mainly due to their high costs but the Cloud makes all of this very affordable and it is responsible for ushering in a whole new era where developing nations like India do not need to compromise on their capacities and can now catapult their capacities to newer heights and reach a global platform.

Broadly speaking, the Cloud is going to tremendously benefit the following sectors in developing countries:

- **Multimedia content: Due to its umbrella effect, Multimedia can now be bought and distributed to consumers at a much cheaper rate**
- **New enterprises: Starting a business now doesn't need to be a risk in terms of IT as the Cloud enables an entrepreneur to own all the IT resources he needs, all he has to do is own a PC and work from the comforts of his home**
- **Educational institutions: Schools and colleges will see the Cloud as a harbinger of knowledge as they do not need to invest in expensive storage servers etc for their research needs. Information and knowledge will now just be a mouse click away.**
- **Telecommunications: The telecom sector will be the highest gainer in this revolution as they shall be providing the Cloud services to the nation.**
- **Business Communication: Customer Relationship Management will be a breeze as greetings to consumers can be sent just by a click on the CRM in the Cloud**

There are also certain challenges in the implementation of the cloud, since it's a virtual concept. The key challenges are namely:

- Taxation: Revenue accrued using the services of the Cloud may trigger taxation issues in the cloud service provider as well as the user's country
- International regulatory ambiguity: The locations of a Cloud service provider may not be conducive from a customer's point of view due to security and regulatory compliance restrictions
- Inter office environment: Shifting to a Cloud environment might not be very welcome for the IT departments as it will bring about a massive change in their roles and operations.
- Privacy and security: The multi tenant trend of using the Cloud services often questions the privacy and security of the data of the organization.

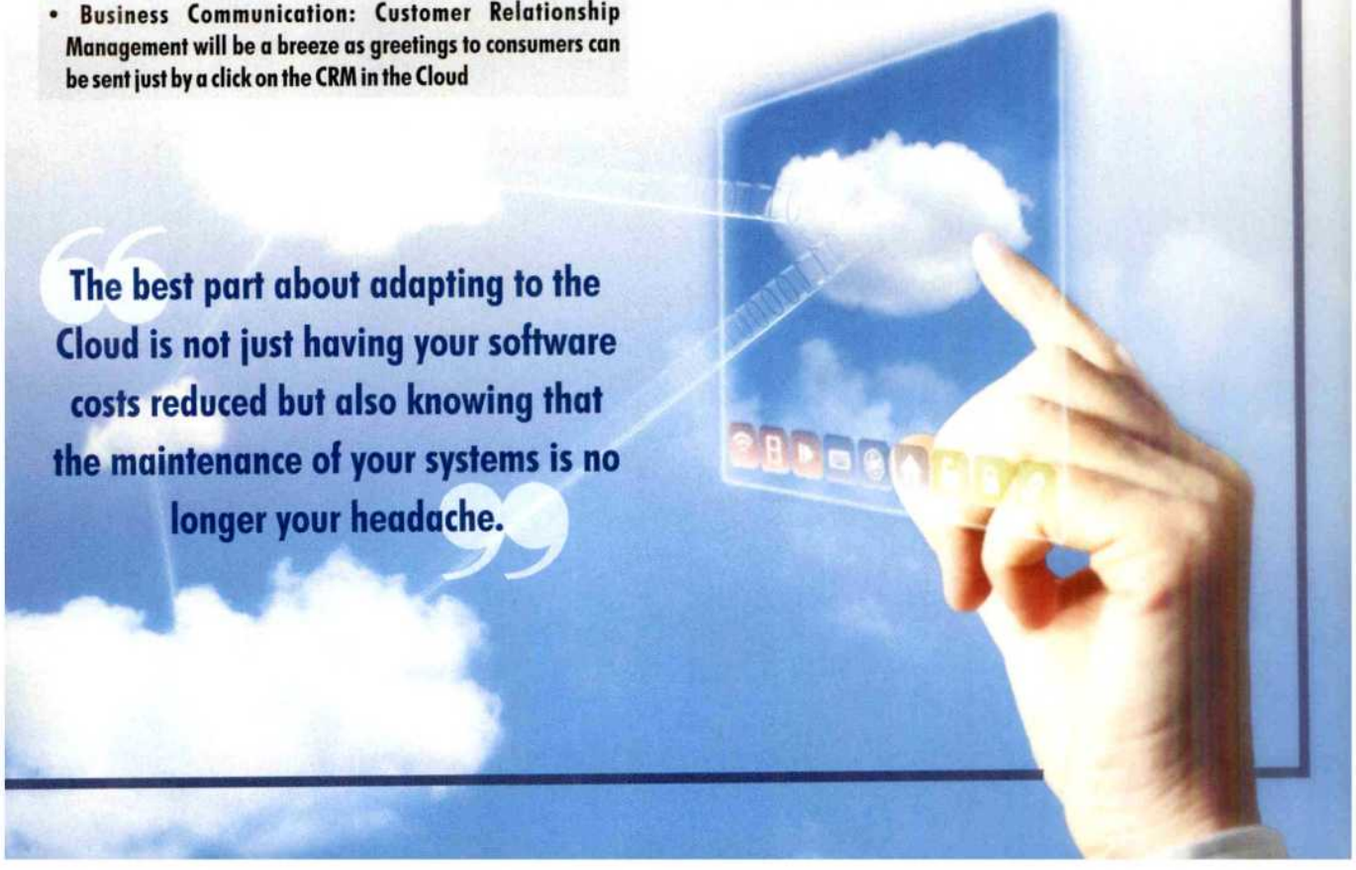
The best part about adapting to the Cloud is not just having your software costs reduced but also knowing that the maintenance of your systems is no longer your headache. With the advent of third generation networking services and the Cloud both cost and maintenance expenditures have slashed enabling you to think of expansion and development and dream your way to an even bigger enterprise.

While the Cloud promises a lot of benefits, care needs to be taken before migrating to the Cloud. The appropriate applications need to be selected for a certain sort of business as not all applications are suited for the Cloud. Different approaches are required of different organizations to leverage the Cloud effectively.

It would also be highly useful to know the various deployment models that the Cloud is available in:

- **Community Cloud:** This is the kind of Cloud whose infrastructure is shared by several organizations and supports a specific community that has shared concerns.

“The best part about adapting to the Cloud is not just having your software costs reduced but also knowing that the maintenance of your systems is no longer your headache.”



In 2010, over a million companies switched to Google Apps— our online email, calendar, and document program that's based on the web. As we begin a new year, we want to highlight and thank a few of the pioneers in business, education, and the public sector who have embraced the web by "going Google" in the past year. All of them have been instrumental in helping us build and improve Google Apps.

In 2011, we're committed to taking customers beyond the current notion of cloud computing to a world we call 100% web— where business applications like Google Apps are delivered over the Internet and accessed in a web browser. The applications and data are stored centrally on a multi-tenant infrastructure designed to be highly scalable, secure and reliable.

We believe that 100% web is the future of the cloud computing model. It brings substantial benefits for companies that no other IT model can provide in terms of simplicity, cost, security, flexibility and pace of innovation. It's a model that the majority of up-and-coming start-ups have already adopted and we look forward to helping millions more companies go Google and harness the full potential of the web in 2011.

Dave Girouard
President, Google Enterprise

"Going Google" means switching your business to Google Apps: an online email, calendar, and document program that's based on the web. Learn more at www.google.co.in/gonegoogle

Google™ Apps

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This kind of cloud may be managed by the organization itself or a third party Cloud service provider.

- Hybrid Cloud: This is the Cloud that like its name already suggests combines two forms of Cloud, these Clouds could be individually managed or can be bound together by means of proprietary technology to enable data and technology portability.
- Public Cloud: This kind of Cloud is owned by a third- party selling Cloud services, it makes its services available to the general public or a large group of companies at once.
- Private Cloud: This is the kind of Cloud that functions as dedicated support for a single organization. These Clouds are the most expensive considering their high rate of security and control.

The day is not far away when having a whole lot of software in your computer systems will be a thing of the past. The Cloud has the silver lining that is the need of the hour. Not only does it reduce the cost of IT for your entrepreneurial endeavours but also it provides you with the cutting edge capacity and most importantly the global opportunities for you to be at par with international competitors. It is like managing your workforce with the help of a super brain. India is already adapting to the cloud and the day is not far away when businesses can be handled with just a smart phone at the comforts of your home. Breathe easy for now and embrace the Cloud, the silver lining is surely all around it!

Google enterprise

At Google, they are committed to moving beyond the current notion of cloud computing to bring customers to a world they call 100% web. While many IT vendors have now adopted (or co-opted) the term "cloud computing" to describe a wide variety of technologies, most don't deliver on the true promise of the cloud. While these concepts may deliver value in the short term, they lock customers in to multi-year release cycles, leave them with the significant costs of managing client software, and expose sensitive data through insecure devices. True cloud computing does not include the following:

- Hosting single-tenant server products in a vendor data center
- Requiring customers to install thick client software
- Virtualizing existing infrastructure and applications within a customer data center.

With 100% web, both the applications and the data are stored centrally and are served from a highly scalable, secure and reliable multi-tenant infrastructure. Devices are portals to data that help people be productive from anywhere, at any time. Businesses no longer own or manage servers and client software: they purchase integrated applications and development platforms, and can devote valuable resources to solving strategic business challenges that create competitive advantage.

While there are a variety of paths that lead to 100% Web, every step a business takes towards this model can deliver dramatic improvements in costs, speed, flexibility, and productivity. Google is committed to helping businesses make the transition to this new paradigm and we firmly believe that this will be a huge improvement for both users and IT departments in all businesses.

CLOUD COMPUTING - A REALITY? A WIPRO VIEW

WIPRO
Applying Thought

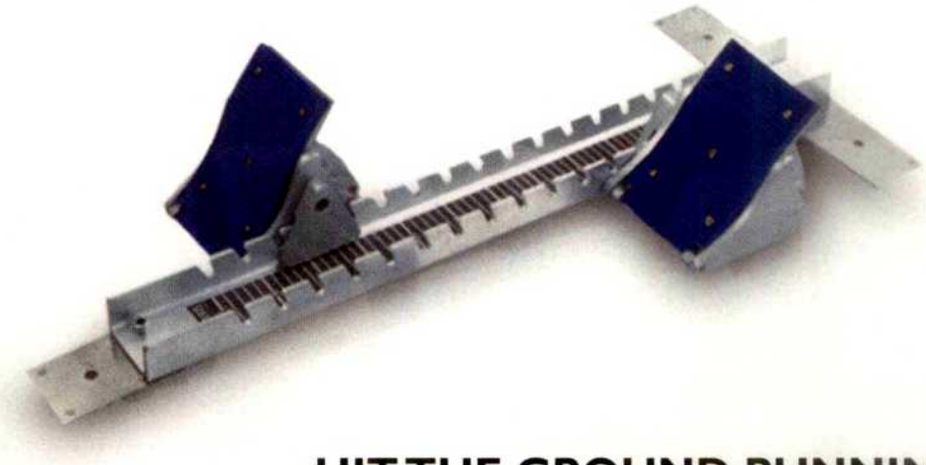
In the last few months there has been a perceptible shift in our conversations on Cloud from, "What is Cloud Computing?" to "How can I use Cloud Computing to my advantage?" This is a tectonic shift in both knowledge and mindset and is certainly the foundation of the Cloud Computing revolution in India.

In fact, there are multiple indicators of market readiness for the Cloud. Familiarity with Virtualization for Servers and Storage, usage of shared infrastructure along with acceptability of innovative and flexible Pay-per -use payment models are the key ones. Availability of affordable broadband across India plays a significant role in enabling organizations in non-metros adopt Cloud too.

A unique example of Cloud adoption in SMEs is the Tirupur Exporter's Associations 'Tirupur Textile Cluster' which through a special purpose vehicle [SPV], G-Tech Info Solutions, has planned to adopt Wipro's next generation enterprise resource planning (ERP) solution based on Microsoft Dynamics ERP to enhance the productivity and efficiency of over 4000 SMEs by automating and simplifying processes across various domains.

Does this mean Cloud Computing is only for SMBs? No! In fact, in Wipro's experience many Large Enterprises have already started exploring Cloud Computing for Disaster Recovery, enhanced Computing capabilities, Business Applications as well as increasing internal IT efficiencies through Private Clouds. Coupled with innovative opex payment models, these Enterprises are able to minimize their Capex which can be invested in their core businesses.

While there is no prescribed formula to answer what an organization should adopt from the Cloud, it's safe to say that Cloud can benefit all, provided an Organization's strategic objectives, business needs and existing IT infrastructure are assessed and understood before exploring a suitable Cloud Solution."



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Nobody's in the Library

As visitors decline, both traditional libraries and start-ups put catalogues online and begin delivering books at home, says **Saranya Kapur**

RACHIT GOSWAMI/www.indiatodayimages.com

Once upon a time, before the rise of the Internet and the emergence of hundreds of television channels, the library was where people went for both information and entertainment. It was here they learnt about global events, or were transported to distant lands. But then the library became a victim of rapidly changing lifestyles, and was on the verge of being wiped out. That is until it rediscovered itself in a new avatar: the online library.

Putting library catalogues online is now a growing trend, with several start-ups offering the service, and some traditional libraries following suit. In February 2010, the British Council Library, or BCL, at Mumbai's Nariman Point, arguably the best-known library in the city, opted to close down and focus entirely on its online service. With online libraries sprouting all over India, are traditional libraries becoming obsolete?

Yes, says Hiten Turakhia, one of the founders of the Mumbai-based librarywala.com, the country's first online library service. "Due to busy schedules, fewer people are willing to spend their precious free time travelling to a library," he says. "This is where online libraries come in, where the books are delivered at your doorstep."

Librarywala.com started its services in 2007 and soon expanded to Bangalore, Pune and Mysore. It stores 25,000 unique titles in English and six regional languages, and has 11,000 active members. After paying a registration fee, members can choose from 19 reading plans, depending on what suits them, and pay a refundable deposit on the books they borrow.

"Reading has become an expensive habit and we aim to make it affordable and convenient," says Turakhia. "With free home delivery and cheap plans, online libraries have the potential to make reading accessible to everyone." Librarywala.com also plans to start a mobile service through which customers can order books by sending SMSes. "With the rollout of the SMS service, we can reach out to those people who are not very Net savvy," he adds.

A similar model is followed by doorstepbooks.com, a Kolkata-based start-up. But this one goes one step further – by delivering books to Tier-II cities in West Bengal using courier services. The demand in such small cities, still, is not high, says Vikash Khandelwal, founder of doorstepbooks.com. "In small towns life is not as fast-paced as it is in the metros. The options for entertainment are also limited. People still enjoy going to the library and picking up books." Mobility is also not a problem, compared to the metros, where people may have to put up with heavy traffic or use crowded public transport to make a trip to the library. Most of his customers are families subscribing to the library for the children, or people above 40.

> "With free home delivery and cheap plans, online libraries have the potential to make reading accessible to everyone"
>
> **Hiten Turakhia**, Founder, Librarywala.com

Going Online

librarywala.com
Founded in: **2007**
Operating in: **Mumbai, Bangalore, Pune, Mysore**

bookmeabook.com
Founded in: **2007**
Operating in: **Delhi**

doorstepbooks.com
Founded in: **2009**
Operating in: **29 towns and cities, including metros**

iloveread.in
Founded in: **2009**
Operating in: **Chennai**

Khandelwal does not believe online libraries can ever completely replace physical libraries even in large cities. "The clientele online libraries cater to is different. People have very different reading habits. Many young working professionals either do not have the time to read or have moved on to e-books. Similarly, people who truly enjoy visiting a brick-and-mortar library will continue to do so whether an online option exists or not," he says.

Both Turakhia and Khandelwal find that the demand for online libraries is highest among school-going children. Indeed, Chennai-based iloveread.in even has a special plan to target secondary schools in the city, apart from its retail plans for individuals. It supplements books in the school library and has full-time storytellers on board to run weekly programmes in schools comprising activities like storytelling, book readings, alternative story endings and writing letters to the author, among others. Says Sahil Gore, one of the founders of iloveread.in: "Children pick up reading instantly, if it is introduced to them as fun, and our activities are designed to do exactly that."

Mumbai's BCL leads the pack of traditional libraries that have developed a Net presence as well. Abhishek Chandan, Head of 'mylibrary', BCL's online initiative, says the reason for going online was the topographical constraints Mumbai's residents have to deal with. "The BCL was located in the extreme south, while the city was growing linearly northward," he says. "The business district too, which earlier was concentrated in the south, has now moved north." This was reflected in BCL's customer base, which has been in decline over the last two decades, from 28,000 in the early 1990s to 3,600 in 2009.

After carrying out extensive surveys, BCL launched mylibrary in 2010 with the help of Tata Consultancy Services as a software partner. After a year of operation, the online service – available on *www.mylibrary.britishcouncil.org* – now has around 3,500 members. Depending on the plan a customer chooses, mylibrary charges as little as ₹35 for a book. It has around 18,000 unique titles, including rare books and e-books.

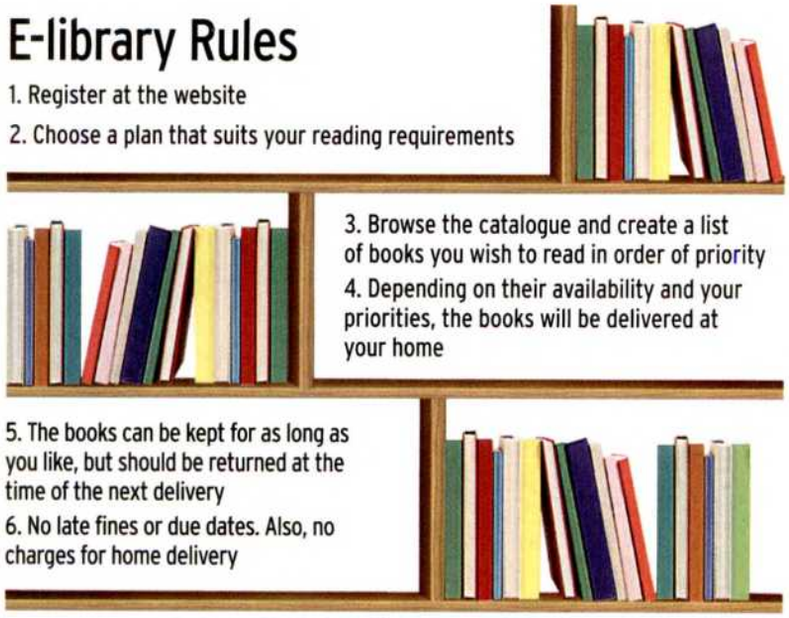
Even small, mom-and-pop libraries seem to have realised that extending their presence online is essential. Ram Gopal Sharma and Sons, a family-run library in Delhi's Connaught Place, has been around since the 1930s. In 2007, however, it decided to open an online library, bookmeabook.com. Nidhi Verma, who runs the online operation, says: "The library in CP used to be extremely popular till a few decades ago. But as the area's profile changed, our customers began to move to satellite cities like Gurgaon and Ghaziabad. It was no longer feasible for them to travel the distance to the library." Bookmeabook.com currently has between 600 and 800 members, most of whom are school children and retired people.

With almost everybody, including companies, today having blogs, facebook pages and twitter accounts, online libraries too depend on social media to reach out to their customers and generate buzz. While bookmeabook.com relies on its facebook and twitter pages for announcements, librarywala.com and mylibrary have an active online community where people discuss and review books, thus creating a community atmosphere which could otherwise be had only in a physical space. Gore of iloveread.in, however, has a different take. "Social media doesn't work as well for reading compared to other businesses," he says. Some like iloveread.in provide links to Amazon and Google Books reviews of its books, and creates community spirit through events like its annual 'Mad Librarian's Tea Party', with musical performances and storytelling sessions, where customers get to know one another and the team.

So, while online libraries may not replace physical libraries altogether, they are definitely here to stay. ◆

E-library Rules

1. Register at the website
2. Choose a plan that suits your reading requirements
3. Browse the catalogue and create a list of books you wish to read in order of priority
4. Depending on their availability and your priorities, the books will be delivered at your home
5. The books can be kept for as long as you like, but should be returned at the time of the next delivery
6. No late fines or due dates. Also, no charges for home delivery



Salman Khan Raises the Bar

This MIT alumnus's free website is transforming online education

What is the first thing that comes to mind when you hear the name Salman Khan? Bollywood actor, bad driver, hair weaving, chest waxing: it could be any of those, but a teacher is surely not one of them. The Salman Khan behind the Khan Academy is a different individual, a graduate from the Massachusetts Institute of Technology and Harvard Business School. One who is transforming online education.

To see how, you must visit Khan's website at www.khanacademy.org, started in 2009.

According to a recent article in *Bloomberg Businessweek*, khanacademy.org gets an estimated two million visitors every month. Over 56 million have been watched his lessons across the globe.

Khan is not the first one to provide online education. There are a host of start-ups in India trying to do the same. The problem for many of them now will be to measure up to Khan's website, which delivers easy-to-understand online modules on a whole host of subjects all for free, using the power of YouTube.

Visitors to Khan's website are not just students looking for lessons or online tuitions in a particular subject. Many of the videos are very good refresher courses. Even Bill Gates acknowledges their value in a video for the site.

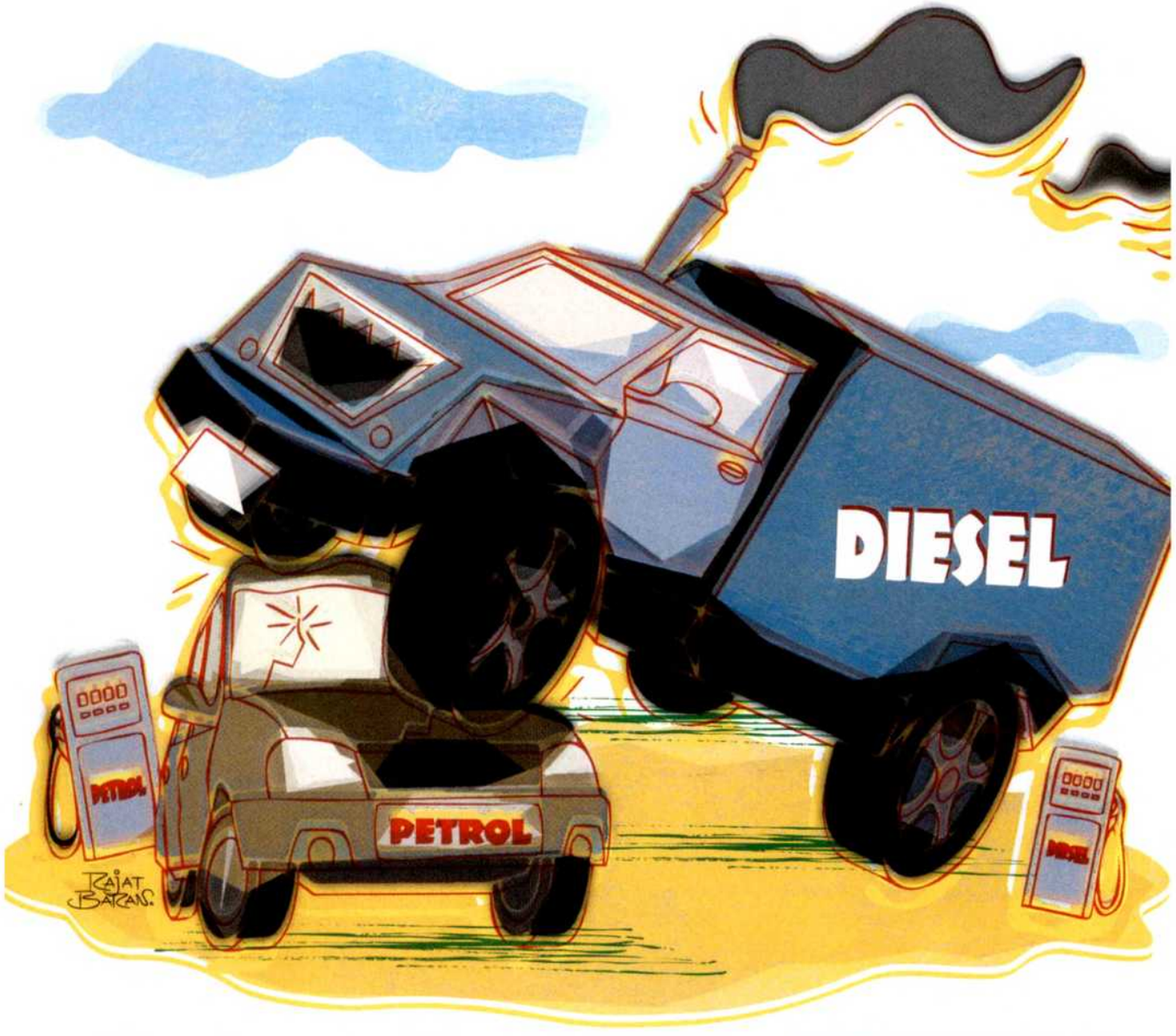
I will be very honest. There are some concepts in finance and economics that I am not all that comfortable with. But the videos on this website have really helped me. And everybody I have shown the website to has become a fan, especially those who have children.

The best part about the website is that it is free, and Khan does not intend to ever start charging. In some schools in the United States, where these videos are used as teaching aids, there is also software for teachers to monitor the progress of students viewing them.

SANTOSH

Admittedly, not all subjects are covered. Algebra, biology, calculus, cosmology and chemistry are among those that are gone into in some detail. The ambit of the lessons in a particular subject may not be wide enough for an entire course, but it is more than sufficient to help a student understand the concepts being taught in class. The commentary accompanying the videos is full of enthusiasm, which, as any student will testify, matters a lot in case of online courses.

There have been several business plans with the same idea. Others have spoken about solutions where videos are hosted online. Many Indian colleges have been talking about this for years. But the Khan Academy website has set the benchmark. And what a benchmark with its ease of use and emphasis on concepts. ◆



Subsidising the Rich

The massive price differential between petrol and diesel is changing the math for those buying cars, says Kushan Mitra

The recent hike of ₹5 in the price of petrol means that at ₹63.37 a litre in New Delhi, a car that returns a respectable 12 km to a litre of petrol has a running cost of over ₹5 a km. With global crude prices on fire, there is no doubt that the oil marketing companies, as much as customers, are bleeding on the sale of petrol, partly because the government will not reduce taxes on the fuel.

More importantly, the reluctance of the government to increase the price of diesel has led to a strange

situation – the demand for petrol cars is declining sharply.

The argument that the common man will suffer if diesel prices are raised and hence only petrol should be made dearer is fallacious. There are at least 100 million motorcycle owners in India, a figure calculated on the basis of the last 15 years' sales. And despite four-stroke motorcycles in India offering incredible mileage, this price rise hurts users of bikes which have petrol engines a lot more than the middle class man driving the diesel-variant of the Maruti Swift. It is true food prices will be impacted if the diesel price goes up. It will also hurt small and medium scale manufacturing units which routinely use diesel to power their factories, thanks to the all-pervading power shortage. But that is another story.

To stick to cars, let us consider the economics of owning a petrol car versus a diesel one. Let us take the Maruti-Suzuki Ritz models VXi and VDi as example. There is a on-road price difference of around ₹1 lakh between the petrol and diesel variants. On the baseline of 1,000 km a month, a petrol Ritz owner would spend ₹4,900 on fuel, whereas a diesel Ritz owner would spend ₹2,400. That is a difference of ₹2,500, or more than 50 per cent. This means that the owner of a diesel car driving an average of 1,000 km a month would recover the ₹1 lakh extra he paid for the diesel version in 40 months. At 1,500 km of travel a month, he recovers it in 26 months.

This does not take into account the slightly higher cost of diesel spares, but then the higher initial outlay for the car will also reflect in a higher resale price, even though in percentage terms, a diesel car might lose more value. A petrol car is still cheaper and a majority of the most cost-effective small cars have efficient petrol engines. Buyers who can afford extra payment on a diesel car tend to be the ones who are better off. That is the reason there are voices arguing that a subsidy on diesel is effectively a subsidy for the class sporting a sports utility vehicle.

Diesel is becoming more attractive as a fuel across Europe too, thanks to the incredible economy of the next-generation diesel engines. But in Europe, diesel is priced on par with petrol. Even though diesel is cleaner than ever before, petrol-engined cars still have superior performance, which is why there are no diesel-powered Ferraris or Lamborghinis.

In India, getting a delivery position on a diesel vehicle involves joining a long waitlist. For a petrol Ritz,

	Ritz VXi	Ritz VDi
Ex-showroom price Delhi (₹)	437,717	520,677
Mileage kmpl (rated)	17.7	21.1
Actual mileage on city roads	13	16
Cost of fuel/litre New Delhi (Indian Oil)	63.37	37.75
Cost of fuel on daily commute of 50 km	244	118

most dealers will give delivery the day your loan is sanctioned. Buying a diesel Ritz means at least a month-long wait. The same is true for the diesel-run Hyundai i20, the Volkswagen Polo or the Nissan Micra.

Rising fuel prices will eventually pinch the wallets of all car and motorcycle drivers. But an absurd subsidy on diesel is skewing the Indian car market and creating a scenario where the government robs Peter, the owner of a petrol-driven 100 cc motorcycle, to pay Paul, who drives a massive SUV. Look at it any way you want, but it is just not fair. ◆

"Share of diesel cars will grow"

Hyundai India Marketing and Sales Director **ARVIND SAXENA** *speaks to* **KUSHAN MITRA** *on the rising sales of diesel vehicles in India:*

Is the rise in sales of diesel vehicles an industry trend?
Yes. This is primarily because of the disparity in the fuel prices. Also, diesel engines are more fuel efficient, which adds to the economy factor and makes them attractive for end users who drive a lot. Diesel technology has evolved over the years and today's engines are as clean and efficient as the gasoline engines, making them equally attractive for customers.

Was the price differential and the demand the reason behind Hyundai's decision to invest in a new diesel plant?
Yes, we see the share of diesel cars growing in coming years and we plan to have a range of cars across segments with diesel engines.

So we will see more diesel-powered small cars?
At Hyundai, we will have diesel cars across segments, including smaller compacts in the future.

The Dice Are Also Loaded

Bonner challenges the so-called specialists who gamble with our future, says Somnath Dasgupta

Dice Have No Memory
By Bill Bonner
Publisher: John Wiley & Sons (Asia)
Pages: 330
Price: ₹1,348

How many of you have been selling dollars or buying gold since 1999? Remember, that was when stock markets were in a frenzy, the Internet bubble had yet to burst and 9/11 had not happened. Gold was selling for around $264 a troy ounce, against $1,500 or so a troy ounce today.

Don't kick yourself for not having sold dollars or bought gold then. Bill Bonner, author of *Dice Have No Memory*, and the man who gave many other pieces of sound-in-retrospect advice for free, did so in his Internet newsletter, the *Daily Reckoner*, which at a time when blogging had not been invented, few got to read.

The subprime crisis of 2008 that led to the global financial meltdown has spawned truckloads of books on who was to blame, why things went wrong and inside stories of Wall Street's merchant banks as well as scamsters. Bonner's *Dice Have No Memory* is different in that it is a print collection of online articles Bonner wrote over the past decade taking on governments, central banks, investors and market players.

Despite being a collection of articles written much earlier, the book is not yellowing history. Even so, as you read each chapter, it helps to refer to the dateline at the top, or you could at times think Bonner is talking of something that is happening right now. Bonner's mental approach and irreverence are doubly important today, when millions of people around the world live in active distrust of governments, central banks and CEOs of giant corporations after the events of 2008.

Bonner's engaging style grabs you right at the start. "Not much in life is certain. That is why it is such a comfort to have government," he writes. Why? Because "One of the few things you can depend on is that government officials will do the wrong thing."

The first section is a collection of articles blasting economists, or at least most of the tribe, for leading governments into greater deficits with huge spending programmes that were expected to restart economies. Bonner points out that America tried Keynesian economics in the 1930s and Japan in the 1990s, and in "neither case were the results favourable".

"Civilisations flourished for thousands of years before anyone made a living as an economist," Bonner points out, and recounts how the United States abandoned the gold standard completely on the advice of economists. This led to consumer credit booms, the first one in the 1920s, and by the 1950s, "Americans had lost their residual fear of debt".

Economists, Bonner says, had created a 100-year flood of consumer debt and are congratulating themselves because civilisation has survived. So what if households are sinking?

As for central banks, the US Federal Reserve has a reliable record, Bonner pronounces. "Charged with protecting the currency, it has done the exact opposite," he wrote in May 2001. He adds: since 1913, when the Fed was set up, the dollar has lost 95 per cent of its value. It had remained stable in the 100 years up to 1913.

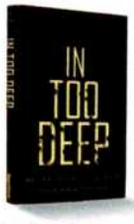
Bonner is no stuffy economist wary of losing credibility in his profession by questioning, for example, why the US central bank should print money to pay for federal expenses. Or warning us about government debt. But he talks plenty of sense. ◆

Bonner's mental approach and irreverence are doubly important today, when people live in distrust of governments, central banks and corporations

BOOKMARKS

Change Anything
By Kerry Patterson, Joseph Grenny, David Maxfield, Ron McMillan and Al Switzler
Piatkus
Pages: 262
Price: ₹275

The book identifies six sources of influence that affect daily decisions. As the title suggests, it provides the tools to change all bad habits.



In Too Deep
By Stanley Reed and Alison Fitzgerald
Bloomberg
Pages: 226
Price: ₹1,123

Last year's oil spill has focused close attention on BP's corporate culture. Yet another book examines all that is wrong with the company.

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Backpack – 44.5 x 32.5 x 18.5cm
Waist bag – 24 x 15.5 x 8.5cm

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Convincing Curmudgeons

How to defend ideas at work and get your listeners buy into them

Don't you feel miserable each time that oh-so-wonderful idea you thought of, and which you felt would have done your company a world of good if implemented, is shot down at the department meeting by a volley of ifs and buts?

The worth of a professional nowadays is often judged not only by his ability to come up with good ideas, but also to get the key stakeholders to buy into it. It could be the boss whose final nod is needed to start a new project; it could be a client whose approval is required for an action plan since he will be footing the bill. Top movers are those who have the skills to convince others of the efficacy of their plans and ideas.

Planning and being thorough naturally help. Manish Bhatt, Co-Founder and Director of Scarecrow, a communication consultancy, recalls the time he was Creative Head at Contract Advertising and helped the agency with its national advertising theme *Sunno Dil Ki Aawaz* (listen to the heart) for Tata Indicom.

The client wanted a variation of the theme for Gujarat alone, and planned to work with some regional channels to do local versions of the campaign on a shoe-string budget. But Bhatt felt he could do better and, at his own initiative, penned fresh lyrics (inspired by a popular Gujarati war-song). He then got top celebrities to lend their voices to it for almost no cost.

That was when a key difference arose. "I suggested the property should be neutral, and later, if required, we could drive the company association," he says. "But the client was reluctant."

So how was it resolved? Compelling content helped Bhatt have his way. "The popularity of the lyric and the feedback it generated did my job," he says.

Bhatt's example speaks for itself. Often, people feel very strongly about their own ideas, and instead of focusing on how to execute the entire plan, get trapped in rebutting the people who oppose them. Many respond with a torrent of information on the subject to bolster their pitch, or make personal attacks on their critics. Both tactics are misplaced. Too much information risks losing the attention of listeners. The second reaction is even worse.

RAJAT BARAN

IDEA KILLERS

- Hesitation
- Project postponement
- Lack of clarity
- Criticism

IDEA PROTECTORS

- Focus on potential supporters
- Open-minded approach
- Avoiding data overload
- Resisting the temptation to hit back at dissenters

SUGGESTED READING

Buy-In

By John P. Kotter & Lorne A. Whitehead

"Don't try to crush an attacker with ridicule," say John P. Kotter and Lorne A. Whitehead in their book *Buy-In*. "Treating anyone with even a modicum of disrespect risks a backlash... the audience might see you as unfair."

Do also remember that people respond much more to your demeanour than to what you are actually saying. There is a vast amount of research on the subject. Kimberly D. Elsbach, in her article in *Harvard Business Review* 'How to Pitch a Brilliant Idea' (issue date September 2003) points to a study in the late-1970s by psychologists Nancy Cantor and Walter Mischel, then at Stanford University. Cantor and Mischel demonstrated how people resort to stereotypes – what they called "person prototypes" – to categorise strangers in the first moments of interaction. "Though such instant typecasting is arguably unfair, pattern matching is so firmly hardwired into human psychology that only conscious discipline can counteract it," says Elsbach.

Some old thumb-rules that always work in getting an idea across: sufficient preparation, which should include anticipating possible opposition and formulating responses in advance; relaxed body language while speaking. People generally prefer ideas that seem to be furthering the greater good, rather than those which appear driven by personal agendas.

Of course, it is important to remember you can never convince all the people all the time. ◆

Beeping for Talent

The medical devices industry is drawing workers from different quarters, says Shamni Pande

The medical devices industry in India has woken up to the need for specialised talent. Both headhunting firms and top talents from across segments are now looking at the job openings in a sector that was never seen as separate from the general healthcare segment, much as it should have been. "Our requirements are very different from the pharma companies," says Manish Sinha, Human Resources Director of Becton, Dickinson and Company (BD) India, the local unit of the $7.5-billion medical technology giant. "We partner with health foundations and take on issues relating to safe and healthy practices. We need people who can bring vision and focus to the table."

Medtronics India, the Indian arm of another US-based firm, wants people who are quick on the uptake. "We need people who have skills in problem solving and can take quick decisions," says Titus Arnold, HR Director (South Asia). Medtronics regularly trains its staff and health practitioners at its hi-tech virtual labs, updating them on the latest developments in the field.

The healthcare industry is currently estimated at ₹1.71 trillion (one trillion is 100,000 crore), and is expanding at a compound annual growth rate, or CAGR, of 12 per cent.

WHO IS HIRING:
Medtronic, Becton Dickinson, J&J, Atrium

SALARIES

JUNIOR LEVEL:
₹4-10 lakh

MIDDLE LEVEL:
₹14-25 lakh

SENIOR LEVEL:
over ₹38 lakh

TOP LEVEL:
over ₹70 lakh

In comparison, the medical devices industry is worth ₹10,000 crore and is growing at 15 per cent. A combination of factors, including growing awareness, better technologies and innovations that seek to make health care more affordable, are driving the growth. "Many international medical devices companies that were operating through Indian channel partners are setting up their own manufacturing facilities here," says Abira Bhattacharjee, Associate Vice President, Elixir Consulting, a recruitment process outsourcing firm.

The industry's needs are diverse. To sell their products, companies require professionals with better skillsets than the usual sales personnel of pharma companies. Local companies engaged in research to find low-cost solutions want specialists. "At one level, we need people who can deal with key stakeholders such as research centres, clinical laboratories and hospitals," says Sinha of BD. "At another, we also need people who are familiar with tier-II cities and their growing needs, as well as people who run small nursing homes."

Designations in this industry may not be very different from those in others, but the requirements are. Good news: medical devices companies tend to pay better than those in related industries. With more players setting up shop in India, the hiring spree has just begun. "We are looking at talent not just from within the industry, but also from other sectors such as consumer goods, telecom, banking and financial services," says Bhattacharjee. ◆

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Country Product Manager
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Amazon Development Centre India Pri Limited
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Objectwin Technology Inc
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Location: Gurgaon
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Capgemini
Summit Developer
Location: Pune
Job ID: 9791645
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Software Engineer/ Programmer
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Akshay Software Technologies
Marketing Executive
Location: Mumbai
Job ID: 9673169
Description: Candidate should be having 3-4 years experience in tele-sales; Result oriented candidate with presentable, communication skills is essential.

Orissa Doot Private Limited
Business Development Consultant
Location: Bhubaneshwar
Job ID: 9797266
Description: Aspirant must have minim 1.5 yrs experience in IT related pre sa activities, should be technically sound w MBA or any equivalent degree.

Cyber Futuristics India Private Limited
Channel Sales Manager
Location: Noida
Job ID: 9790632
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India Mart
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Datamatics Global Services Limited
Accounts Payable Executive
Location: Mumbai
Job ID: 9791446
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Crisil
Assistant Manager-Finance
Location: Mumbai
Job ID: 9785613
Description: Job Duties:-Understand the underlying processes for the capture of the data for billing and revenue recognition. Examine data integrity by critically evaluating the processes.

Acculogix Software Solutions Private Limited
Book Keeper/ Accounts Assistant
Location: Bangalore
Job ID: 9800296
Description: Applicant must have relevant work experience in accounts.

Cognizant Technology Solutions India Private Limited
Process Specialist - Data
Location: Hyderabad
Job ID: 9784177
Description: Person must have Reconciliations experience; Expert process knowledge of GL Reconciliations/Budgetary Journals, Entries and Accrual Journal entries, Audits & Controls.

Indegene Lifesystems Pvt Ltd
Finance Lead
Location: Bangalore
Job ID: 9802767
Description: Duties: MIS Reporting, analysis and presentation of key metrics; Controllership for a department / region; Annual Budgeting & regular forecasting; Project reviews and financial closure.

GlobeOp Financial Services, LLC
Chartered Accountant (CPA)
Location: Mumbai
Job ID: 8472839
Description: Task: Assistance in Budgeting and Re - forecasting including detailed Variance Analysis. Variance Analysis on PL by Department. Review of all reports etc.

Newell Rubbermaid Inc
Finance Manager - India
Location: Chennai
Job ID: 9582074
Description: Person must have 8-10 years' experience in Accounting/Finance field out of which last 2-3 years in the capacity of an Assistant Manager, preferably in a MNC.

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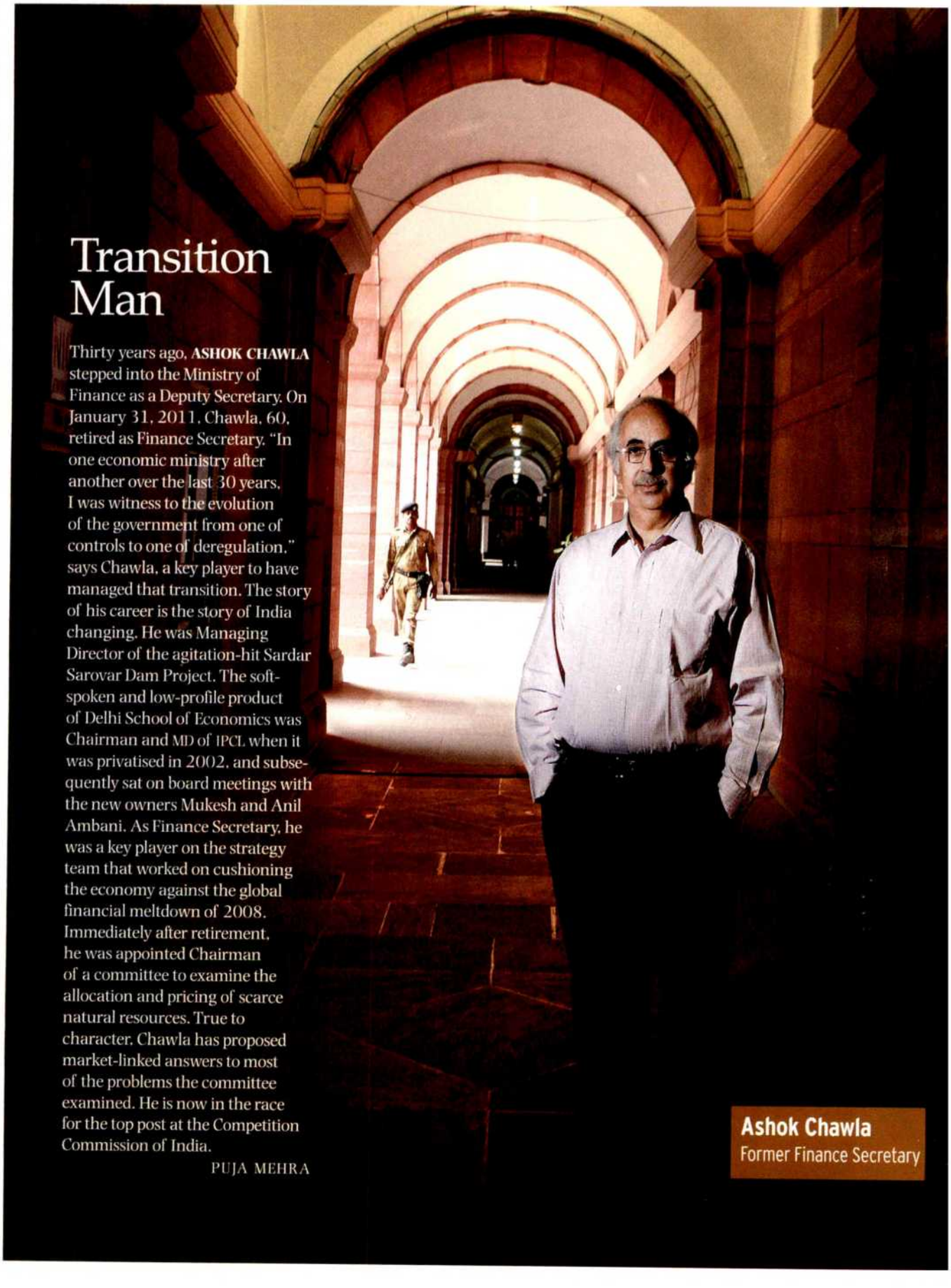
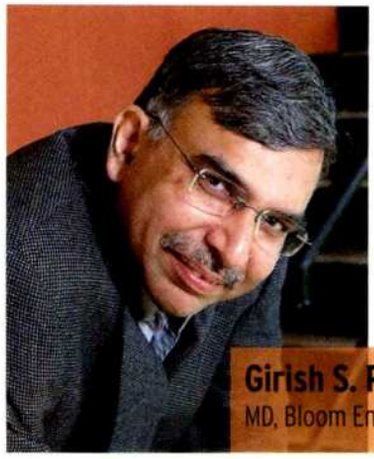
Transition Man

Thirty years ago, **ASHOK CHAWLA** stepped into the Ministry of Finance as a Deputy Secretary. On January 31, 2011, Chawla, 60, retired as Finance Secretary. "In one economic ministry after another over the last 30 years, I was witness to the evolution of the government from one of controls to one of deregulation," says Chawla, a key player to have managed that transition. The story of his career is the story of India changing. He was Managing Director of the agitation-hit Sardar Sarovar Dam Project. The soft-spoken and low-profile product of Delhi School of Economics was Chairman and MD of IPCL when it was privatised in 2002, and subsequently sat on board meetings with the new owners Mukesh and Anil Ambani. As Finance Secretary, he was a key player on the strategy team that worked on cushioning the economy against the global financial meltdown of 2008. Immediately after retirement, he was appointed Chairman of a committee to examine the allocation and pricing of scarce natural resources. True to character, Chawla has proposed market-linked answers to most of the problems the committee examined. He is now in the race for the top post at the Competition Commission of India.

PUJA MEHRA



Ashok Chawla
Former Finance Secretary



Girish S. Paranjpe
MD, Bloom Energy

High on Energy

After 20 years with Wipro Technologies, **GIRISH S. PARANJPE** will now head the international operation of Silicon Valley-based Bloom Energy. He will commission units, which will produce clean electricity for his clients, powered by Bloom's path-breaking solid oxide – fuel cell technology. "Developed and emerging countries are looking for breakthrough alternatives to fulfil (their)growing electricity needs. There is an opportunity for me to do something significant, similar to what I did as part of the IT industry," says Paranjpe.

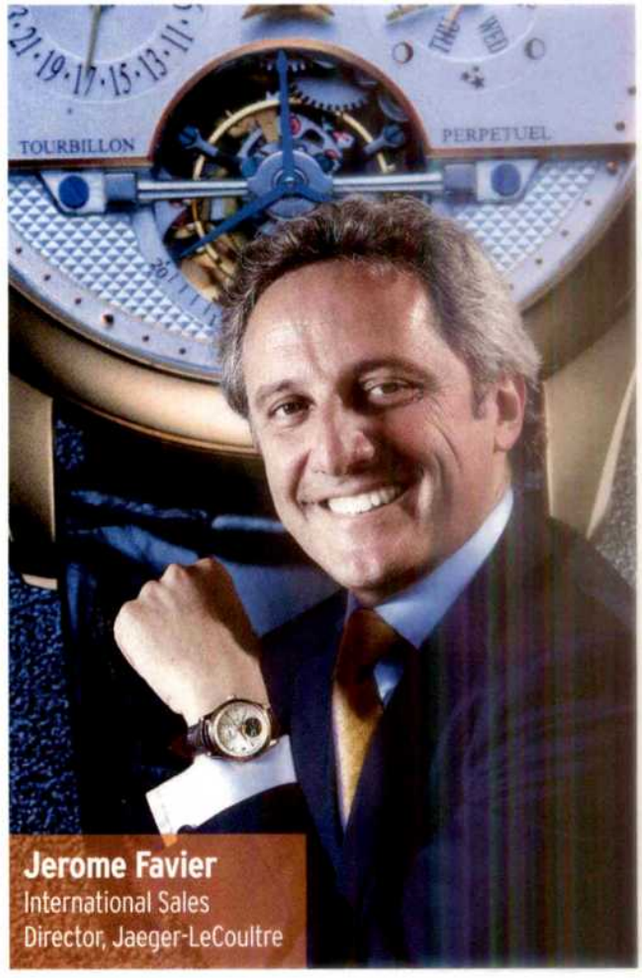
K.R. BALASUBRAMANYAM

DEEPAK G. PAWAR

Great Timing

JEROME FAVIER is excited about being in India, a historical market for Jaeger-LeCoultre, the haute Swiss watchmaker. "It was in 1931 when we created a special watch called the Reverso for British polo players in India. Today, Reverso is an iconic watch brand and celebrates its 80th anniversary this year," he says. Jaeger-LeCoultre is also setting up its India office in New Delhi. With Bollywood stars like Saif Ali Khan and Ranbir Kapoor among its clients, it does make sense for it to be here. Like most international brands, Jaeger-LeCoultre also views India as a market that cannot be ignored. "We believe a lot in our future in this country. We would like to be a part of the India growth story. We do not want to just sell watches but also entertain people with fine watchmaking, which is an art in itself," says Favier.

ANUSHA SUBRAMANIAN



Jerome Favier
International Sales Director, Jaeger-LeCoultre

SHEKHAR GHOSH/www.indiatodayimages.com

Big Fish

It is not easy managing a joint venture between two rival media conglomerates. But **MANU SAWHNEY,** who takes care of ESPN STAR Sports, Asia's largest sports broadcast network, does it with aplomb. ESPN STAR is a JV between fierce rivals News Corp. and Disney. So it is not surprising that Sawhney, who first came into the limelight when he headed the Indian arm of the sports broadcaster, made it to the Top 10 list of Sportcal.com's listing of the most influential people in sports broadcasting. This, following the massive ratings during the 2011 ICC World Cup where ESPN STAR was the host broadcaster, has made the year a great one for Sawhney. But he now faces a new challenge – that of getting sports fans to start watching ESPN on other media, including attracting online fans to ESPN Player, an on-demand online platform.

Flying Tiger

If you work in the business process outsourcing industry and the name **NALLICHERI VAIDYANATHAN TYAGARAJAN** sounds a tongue-twister, it may be a good career move to start rolling your Rs. For, 'Tiger' Tyagarajan, as he is better known, takes over the top job at Genpact on June 17 from Pramod Bhasin, who built the BPO firm into a $1.25 billion, 41,000-strong business. "I have been closely involved with all strategic decisions of the last few years and so few changes on that front," says Tyagarajan, 50. What he will do differently is travel a lot more – nearly 200 days a year – meeting customers. "You determine your future a little more that way," he says. Other immediate targets: deeper domain expertise in teams and dispersing of Genpact's "centre of universe" so that 60 to 70 per cent of senior leaders are located close to customers, about double that of the numbers today.

JOSEY PULIYENTHURUTHEL

'Tiger' Tyagarajan
COO, Genpact

Espresso Shot

"We are not a coffee shop," says **ATTILIO CAPUANO**. He's been fielding questions on why his company's Indian operations, under the Barista Lavazza umbrella, are in second place, behind home-grown Café Coffee Day. Lavazza, set up sometime in 1895 in the heart of Turin, calls itself Italy's favourite coffee. But the London-born Capuano, 48, is going against the grain. His plans for Barista mean the chain will have a broad-brush approach – with a presence in the retail, branded coffee segment, in cafe products, as well as in the coffee machines segment. During his 14-year stint with the Italian confectionary giant Ferrero, Capuano managed the Indian subcontinent between 2004 and 2008. "India is one of the most dynamic markets I've ever worked in," he says. "You open one outlet, the market dynamics change, so there is no point in just opening outlets." ◆

GEETANJALI SHUKLA

Attilio Capuano
Director, Asia-Pacific, Lavazza

NISHANT GAMRE

VIVAN MEHRA/www.indiatodayimages.com

MANU ANAND

Chairman & CEO, PepsiCo India

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- ■ Delegative
- ■ Participative
- ■ Authoritative
- ☑ All of the above

The political leader I admire the most
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The business leader I admire the most
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The leadership lesson I remember the best
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A book I would recommend on leadership
The Alexander Trilogy

The difference between a manager and a leader
Leaders inspire through compelling visions and actions. Managers make things happen

All good managers are good leaders
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As told to Shamni Pande

Vol. 20, No. 13, for the fortnight June 13 to June 26, 2011. Released on June 13, 2011.

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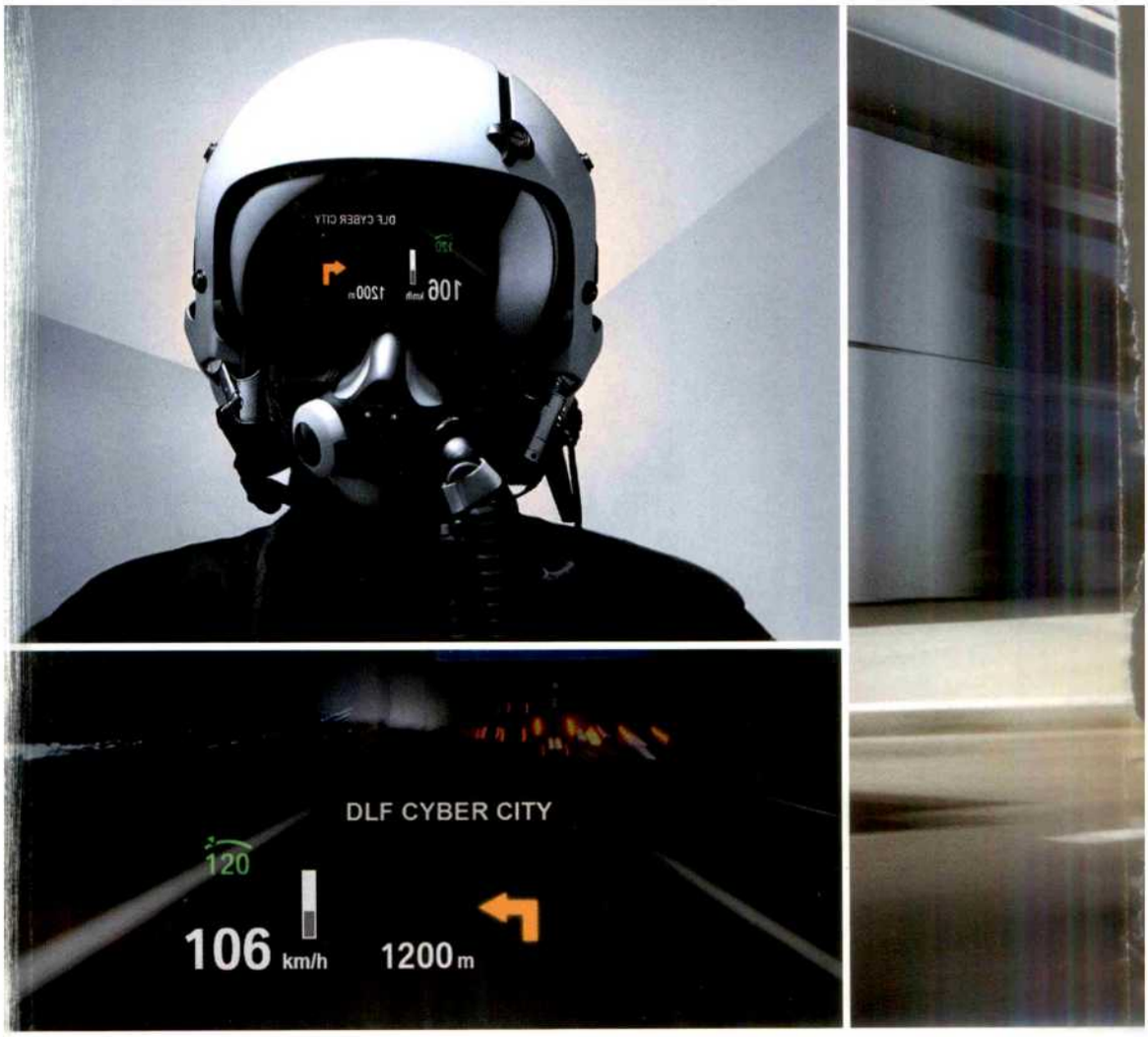

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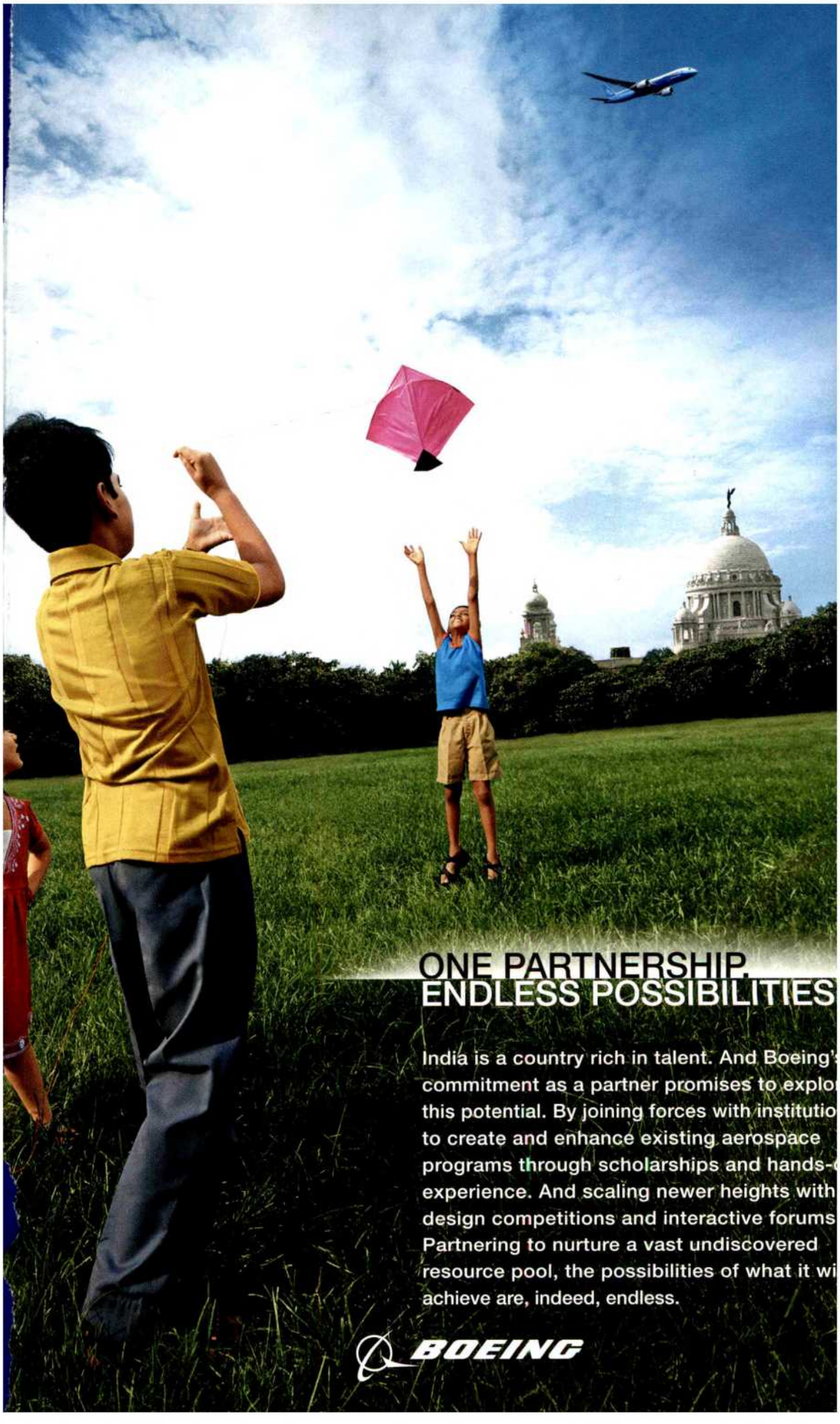
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From the Editor

The day this issue of *Business Today* went to press, IBM Corporation completed one hundred years. What started as the Computing-Tabulating-Recording Company, manufacturing computing scales, time clocks, and even coffee grinders, quickly grew into Big Blue, a vast global presence in computing under Tom Watson, Senior and Junior, building its power on the mainframe. Like all innovative giants – remember FORTRAN, the punched card, and the floppy disk? – IBM too turned complacent and came perilously close to extinction in the early 1990s because it failed to grasp the power of the personal computer, and as Louis V. Gerstner, chairman and CEO from 1993 to 2002 writes in *Who Says Elephants Can't Dance?*, surrendered control of the PC's operating system to Microsoft and its microprocessor to Intel. All that is history, though, and today IBM is in good shape. A few days before its anniversary, IBM's Watson computer system was voted "Person of the Year" at the annual Webby Awards for winning the *Jeopardy!* television quiz show against two formidable human opponents.

What is it that keeps old companies going, richly and successfully, for a century or longer? Mahesh Vyas, Managing Director and CEO of CMIE, or the Centre for Monitoring Indian Economy, who has been studying companies for a long time, says the great story is about how large Indian industrial houses were tested by liberalisation post-1991 and far from becoming dinosaurs, have grown and prospered. Vyas says the Tatas, Birlas and Goenkas have all transformed in this new environment and have become stronger. "They have hived off useless units, focused on core competencies, and expanded," he says. "They coped with FERA and the MRTP Act and were better equipped to face the storm. They have been much smarter than many of the start-ups people predicted would displace them."

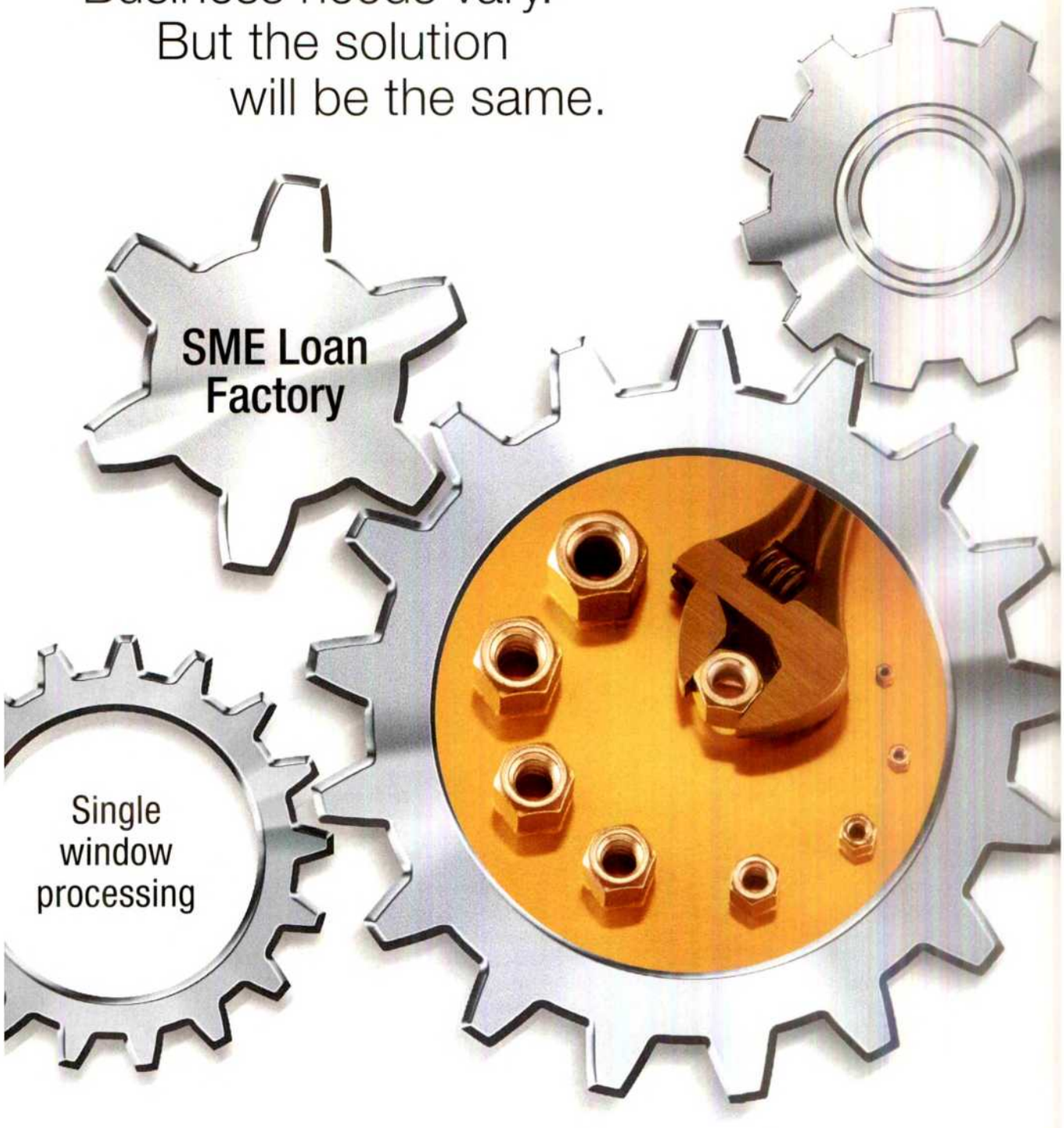
Business Today will turn 20 in January 2012, and we are celebrating with a series of special issues. The first one, *New Business Families*, ran in our April 17 issue. This fortnight we look at a number of Indian companies that have been around for one hundred years or longer, and not just survived but in most instances, thrived. Deputy Editor Somnath Dasgupta and Senior Editor Anand Adhikari led the team of writers that spent weeks digging through archives, tromping through fusty old buildings, and talking to old companies' (younger) executives. A CMIE database yielded the information that of 6,696 listed companies in India, 175 were older than 100 years. We offer you a selection of some of the better-known of them and hope you will enjoy them as much as we enjoyed writing, photographing and designing the package, which starts on page 58.

One of the companies we feature is ITC Limited. Its Chairman and CEO Yogesh Deveshwar is poised to get a five-year extension after 15 years at the helm, making him one of the longest-serving corporate leaders in India. Like Gerstner, Deveshwar took over a company in serious trouble and then charted a path of remarkable recovery for the maker of everything from cigarettes to paper and soap. Read the extensive and candid interview with Deveshwar on page 114, and for the full transcript go to www.businesstoday.in/deveshwar.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

Business needs vary.
But the solution
will be the same.



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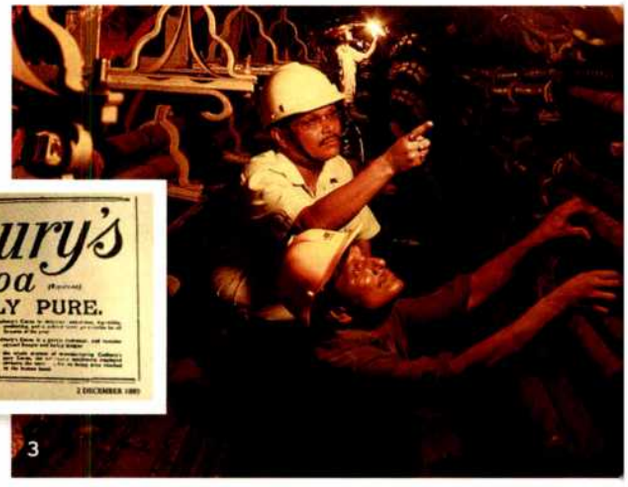

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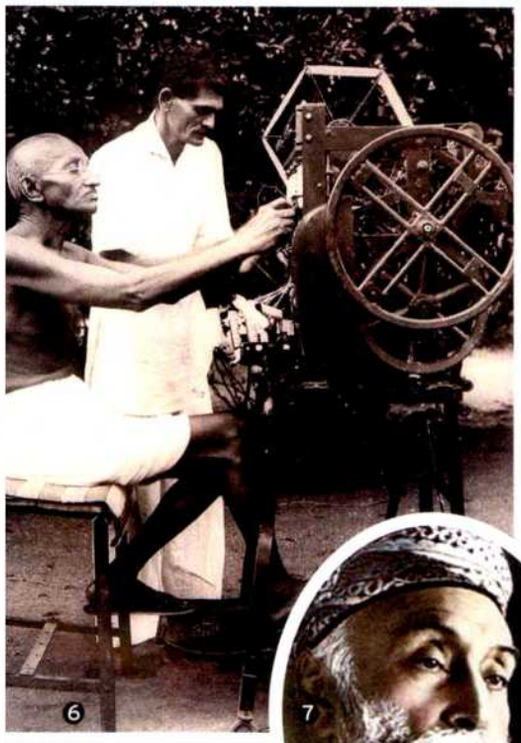

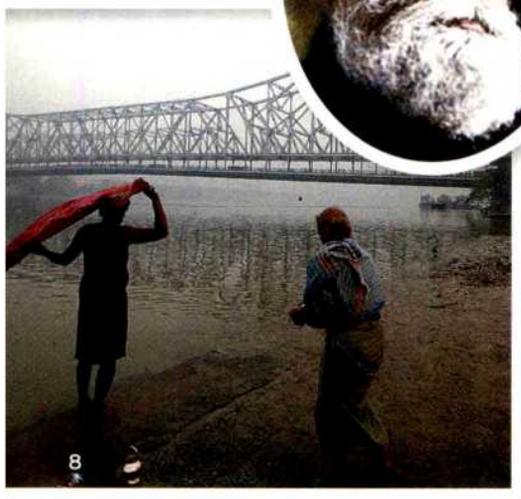

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Shine On

Your cover story, *India's Coolest Start-ups* (June 26), will not only provide a boost to the 10 listed companies but also motivate the five others in line. It goes without saying that innovation is the key to any start-up, be it old or new. A start-up's ability to innovate could very well determine whether it shines in the years to come or not. Overall, the entire package made for an interesting read.

H. Priya, *Chennai*

Out of Steam

Power shortage is the biggest problem facing India today (*Sweat It Out*, June 26). It not only affects growth but also causes price rise and other problems indirectly. Surprisingly, despite having a rich resource of coal, the country is still facing coal shortages. To start with, how about designing green villages with solar homes?

Jacob Sahayam, *Thiruvananthapuram*

Tough Times

Stressed Bank of India (June 26) was an objective account of the affairs at State Bank of India, which is facing not one but many problems – be it in financial management, personnel administration, policies, leadership and a legacy of controversies. Despite all this, it has the trappings of competence and tracks of achievement. The bank has yet to optimally revamp its working culture and though the new Chairman Pratip Chaudhuri's ambitious targets are laudable, limited service and regressive ground reality do not portend a quick end to its problems.

B. Rajasekaran, *Bangalore*

It goes without saying that innovation is the key to any start-up, be it old or new. A start-up's ability to innovate could very well determine whether it shines in the years to come or not

Corrections

The caption with the picture accompanying the report *Mining Missed Calls* (*India's Coolest Start-ups*, June 26, Page 73) identifies the people in it incorrectly. The correct caption should read: ZipDial founders Valerie Rozycki and Amiya Pathak. The story, *Nobody's in the Library* (June 26), incorrectly describes Librarywala.com as India's first online library service. In fact, the first such service was that of EasyLib.com, founded in 2001. The report, *Funds for the Less Adventurous* (June 26), written by Tanvi Varma, was inadvertently carried under a wrong byline. We regret the errors.

www.businesstoday.in@coverstory: *India's Coolest Start-ups* (June 26) is *BT*'s fifth annual listing of new companies most likely to shine in coming years

www.businesstoday.in@coverstory: *Soap Opera* (June 12) on how a bruising decade forced Hindustan Unilever to change its traditional practices

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Coolest Start-ups Online!

Head online to see the list of 10 small companies *BT* picked as the best and brightest. See also a gallery of runners-up, plus a list of hits and misses from our earlier issues of the coolest start-ups.

businesstoday.in/coolest-startups

Anna, Baba and the Social Media

Indian youth and global activist groups take to Facebook, Twitter to support the anti-corruption campaign. But their methods are sometimes controversial.

businesstoday.in/anti-corruption

Standout Entertainment

Tintin, Transformers, Raaz 3 – a rash of Bollywood and Hollywood producers are making 3D movies, whether theatres are ready for them or not.

Blogs

E. Kumar Sharma
The GVK wedding was a showcase of Bollywood and business big names.

businesstoday.in/kumar

Anusha Subramanian
Online revenues are becoming the key for Indian media houses.

businesstoday.in/anusha

Suman Layak
Mukesh Ambani announces RIL's plans to become debt-free.

businesstoday.in/suman

Start-up Today

Software piracy is falling – except among small businesses.

businesstoday.in/startuptoday

US in Turmoil

A series of weak indicators – including a weak housing market, lingering unemployment and soft consumer spending – bog down the US economic recovery, says columnist Frank Islam.

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Missing Masterstrokes

BHASKAR PAUL/www.indiatodayimages.com

Even as you delve into this *BT* collector's edition on 100-year-old companies, doff your hat to M.F. Husain, 95, who passed away on June 9, leaving behind a rich artistic legacy (see column on page 42)

Corporate

India's largest private sector company, Reliance Industries, or RIL, has entered the insurance sector. RIL and its associate, Reliance Industrial Infrastructure, will buy Bharti Enterprise's entire 74 per cent stake in Bharti AXA Life Insurance Co. and Bharti AXA General Insurance Co. AXA will retain its current shareholding and continue to manage the day-to-day operations. Bharti AXA Life has been struggling with a market share of only one per cent.

SANTOSH

Tata Steel has sold its 26.27% stake in Australian coal miner Riversdale to global mining major Rio Tinto for A$1.06 billion (₹5,074 crore), while holding on to its 35 per cent stake in Riversdale Energy (Mauritius), a Riversdale subsidiary with coal assets in Mozambique. Tata's Mozambique JV with Riversdale gives it rights over 40% of the coal mined at the Benga coal project in Mozambique.

Samsung Electronics Co. will become the world's largest smartphone maker this quarter, overtaking struggling Nokia, which led the market since 1996, Nomura said. In the next quarter, Nomura also sees Apple moving ahead of Nokia. In India, Samsung has already surpassed LG (see *The Chaebol Challenge*, *BT*, May 15).

Succession issues are dominating boardrooms across the world. In India, ITC's 100th annual general meeting on July 29 will deliberate on a five-year extension for Y.C. Deveshwar as Chairman and Chief Executive. Deveshwar may serve a part of his extended term as non-executive chairman. (See interview with Deveshwar on page 114.)

Infosys colossus N.R. Narayana Murthy addressed his last annual general meeting at the company on June 11. For new Chairman K.V. Kamath and Co-Chairman Kris Gopalakrishnan, he leaves behind a $6-billion behemoth with over 130,000 employees. For the record, the company has given away stock options worth ₹50,000 crore to its employees in the last 30 years. Today, Infosys has over 450,000 investors, and has made many a middle class Indian a millionaire. A hard act to follow.

US securities regulators are examining whether Goldman Sachs and other financial firms violated bribery laws in their dealings with Libya's sovereign wealth fund. Enforcement lawyers at the Securities and Exchange Commission are reviewing documents that detail the firms' relationships with the Libyan Investment Authority controlled by Col. Gaddafi.

International Business Machines, celebrating its centennial year, is mulling over who will replace its Chief Executive Samuel J. Palmisano. The frontrunner is sales chief Virginia M. Rometty. A president or operating chief may also be in place in a year.

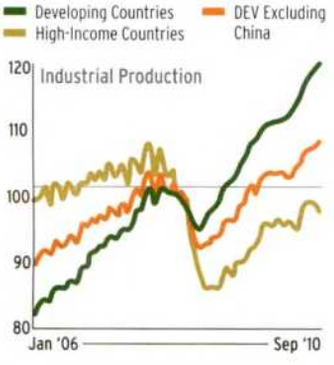
Though she has denied she is interested, there is speculation that US Secretary of State Hillary Clinton may take up another job next year. The top slot at the World Bank will fall vacant if current chief Robert Zoellick quits at the end of his term in mid-2012, and Clinton is tipped to succeed him. Meanwhile, the International Monetary Fund chief's position is still to be filled.

Economy

The Reserve Bank has raised interest rates for the tenth time since March 2010 and said it will persist in its battle against stubbornly high inflation. The central bank downplayed worries about slowing growth in India, Asia's third-largest economy.

OUT OF THE CRISIS

Economic recovery has raised the industrial output of developing countries 20% higher than pre-crisis August 2008 levels



Source: World Bank, Thomson/Datastream

Advance tax payment by India Inc. presents a slightly alarming picture of the economy in tandem with a big fall in April IIP numbers. The largest lender SBI leads the pack, paying ₹1,100 crore against ₹850 crore in the year-ago period. RIL paid ₹900 crore in the first quarter of 2011/12, up nearly 50 per cent from ₹650 crore in the year-ago quarter. (See *Pause on Growth?* on page 50.)

The government has extended the popular exports scheme – the Duty Entitlement Pass Book, or DEPB – until September after which it will be replaced by duty drawback.

₹260 cr

Air India's dues cleared by the government, out of a total of ₹1,100 crore on account of services provided by the public sector carrier, such as providing the jets chartered for VVIP movements and Haj operations.

6.3%

India's industrial growth in April, the lowest in seven months, down from 13.8%, for the same month last year. Manufacturing was the main culprit, falling to 6.9% from 14.4% a year ago.

57%

Record growth in India's merchandise exports in May, which touched $26 billion due to a fine performance by the engineering, oil and electronics sectors. But imports too jumped to a four-year high at $41 billion.

Markets

Facebook is likely to file an IPO by the first quarter of 2012, with a valuation of over $100 billion. It is set to cross the 500-investor threshold, that triggers the mandatory release of quarterly financial information to the Securities and Exchange Commission.

Commodity markets regulator Forward Markets Commission, or FMC, has plans to allow forward trading in metal and agricultural produce on the National Spot Exchange, or NSEL, according to FMC Chairman B.C. Khatua. NSEL trades in 34 metal and agricultural commodities and records a daily turnover of ₹1,000 crore.

A Crisil study has found that two-thirds of the qualified institutional placement issues in 2010 have given negative returns. Thirty-three out of the 50 issues were trading below their offer price as on June 3, 2011.

Coming Up

There seems to be no end to labour troubles afflicting the transport sector. The strike at Maruti's Manesar plant may have ended, but it is now the turn of dock workers to threaten an agitation. Shipping Minister G.K. Vasan has invited labour unions of major ports for talks on corporatisation of the Jawaharlal Nehru Port Trust, or JNPT, in Navi Mumbai, the third-largest Indian port by traffic volume, on June 23. Trade unions have threatened a strike if the corporatisation plan is not abandoned. Corporatisation will ensure an independent JNPT board with powers to take financial and management decisions.

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Who's Afraid of FDI in Retail?

Fears of job losses are exaggerated, all stakeholders stand to gain if the sector is opened up, says Raghav Gupta

SANTOSH

$16 billion

Total retail revenues of Wal-Mart, Carrefour and Tesco in China in 2010, up from $5 billion in 2005

Most debates on foreign direct investment, or FDI, in retail are dominated by concerns about one stakeholder (the *kirana* store) and focus mainly on one retail format (food and grocery retail). But comprehensive discussion of the issue requires an evaluation of the impact of FDI on all stakeholders and all retail formats.

Stakeholders include the Indian consumer, unorganised or mom and pop retailers; agents, traders and wholesalers; farmers, processors and manufacturers; organised retailers and the government. The most important viewpoint to consider when debating FDI in retail is that of the largest stakeholder – the Indian consumer.

For organised retailers to succeed, they need to offer one or more of the following: price savings, product range, convenience, service and experience. Eight categories make up the $450

billion, or ₹20.25 trillion, retail market: apparel; durables, mobiles and IT products; jewellery and watches; footwear; furniture and furnishings; books and entertainment; pharmacy and wellness; food and grocery. While organised retail makes up only five per cent of overall retail, in the first four product groups (mentioned above) it has already received a thumbs-up from the consumer, with share ranging between 14 and 27 per cent.

In pharmacy and food, organised retailers have been unable to offer necessary value propositions so far. In the former, strong chemist and druggist associations are an entry barrier. In the latter, organised retailers do not have their act in place in most cases. Supermarkets and hypermarkets require the heaviest investments (in supplier development, supply chain and warehousing, and retail stores), have the highest operational complexity and the longest learning curve. Many early entrants in this space focused only on front-end stores and did not create the required supply chain. This has changed to an extent with strong models from Big Bazaar and Bharti-Wal-Mart.

Given the above context, let us examine the benefits and challenges from FDI in retail. Potential benefits include a stronger consumer value proposition; price reduction and inflation tempering, growth in local sourcing and exports, employment generation, and increased tax collection. Often, discussed challenges comprise job losses among unorganised retailers, agents and traders, and price hikes due to some retailers reaching monopolistic positions.

Job losses and employment generation: Fears of job losses among unorganised retailers are exaggerated. While unorganised retail will lose percentage share, it is still projected to grow from $425 billion at present to around $575 billion by 2015. Job losses may occur among agents, traders and wholesalers as organised retailers establish direct relationships with suppliers. However, organised retail will add around 1.5 million jobs in the same period. This will create significant net employment growth, and while adjustment pangs are expected, these can be managed.

Price reduction and inflation tempering: The spread of organised retail can reduce consumer prices by five to seven per cent over a five-year period. Benefits of disintermediation in the supply chain will be lower in India as traders (in food) work on wafer-thin margins.

Local sourcing and growth in exports: Key to the success of multinational retailers is local sourcing. Examples here abound, including McDonald's, Reebok, Marks & Spencer, and Bharti-Wal-Mart. In China, retail revenues of Wal-Mart, Carrefour and Tesco grew from $5 billion in 2005 to $16 billion in 2010. In the same period, their combined buying from China for exports grew from $24 billion to $56 billion. The empirical correlation between developing suppliers for local markets and then leveraging their capabilities for exports is very high and applicable to India as well. This will provide growth opportunities to Indian suppliers and also create grassroots employment.

This evaluation, from the viewpoint of the consumer, makes a strong case for opening up FDI in retail. First, foreign capital/foreign institutional investments should be opened up fully as retail is capital-intensive business. Next, FDI in all single brand retail formats should be allowed without conditions such as staggered equity limits and geographic constraints. In multi-brand retail, the stakes are higher and the size of the prize much larger. Players could be allowed to set up businesses with complete ownership, but with certain conditions.

First, investments in supply chain equivalent to a defined percentage of investments in front-end retail or retail revenues over a five- to seven-year period should be specified. Second, an export obligation requiring merchandise equal to total revenues over the first five to seven years of business, which will ensure investments in developing local suppliers, should be set. Finally, there should be investments in training and development of people, so jobs are created here.

In the medium to long term, organised retail will bring many benefits for the Indian consumer. Its growth can be accelerated through the opening up of FDI. In the short term, of course, a decisive policy action is critical from the government.

GUPTA'S TAKE

- All stakeholders stand to gain if FDI is allowed in retail
- Potential benefits: Growth in local sourcing and exports, employment generation, rise in tax collection
- Studies show unorganised retail faces no threat, instead is projected to grow from $425 billion to around $575 billion
- Organised retail can bring down consumer prices by five to seven per cent over a four- to seven-year period and temper food inflation
- Local sourcing will be a success route for multinational retailers

The author is Principal at Booz & Company

Under the Same Roof, But Separate

The holding company model proposed by RBI for the Indian financial sector will enable better regulation of entities. By ANAND ADHIKARI

What is proposed

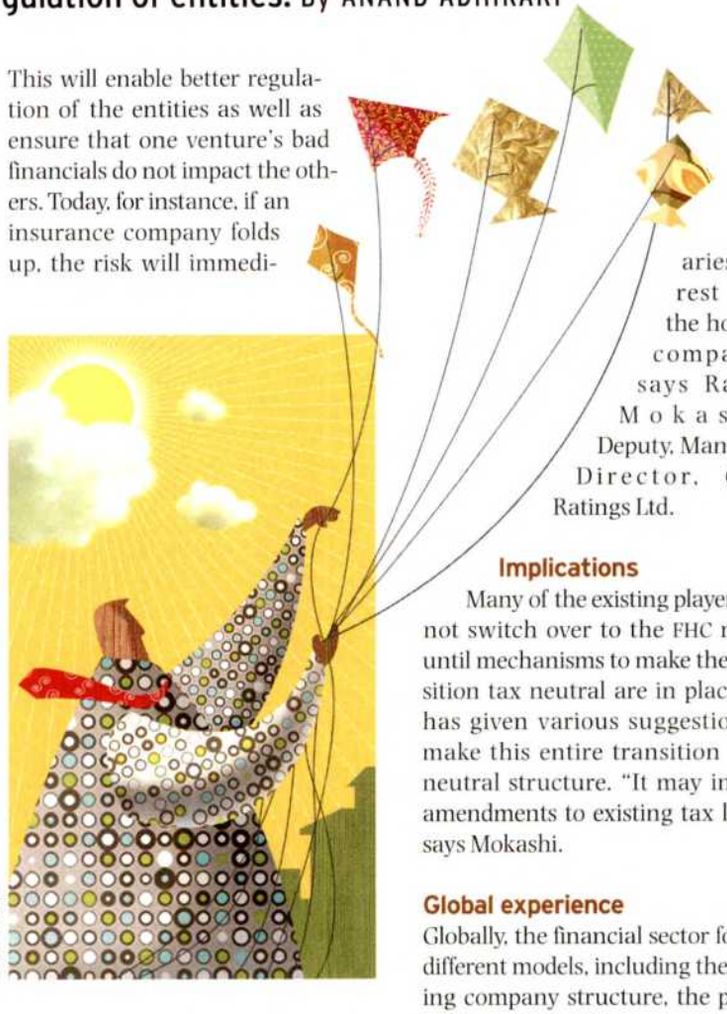
The Reserve Bank of India, or RBI, has mooted a holding company structure for the financial sector in India, as well as a separate regulatory framework for financial holding companies, or FHCs. The proposals, which include extending the FHC model to all large financial groups irrespective of whether they contain a bank or not and allowing existing ones with a bank to move to the FHC model in a time-bound manner, were made in a recent report of an RBI working group led by Deputy Governor Shyamala Gopinath.

What exists

Today, banks in India follow the parent-subsidiary model for their various ventures. Each venture's valuation is factored into the bank's valuation, each draws capital from the bank and contributes to its profit and loss, and its future capital need is linked to the health of the bank. All these make it difficult for the bank to raise capital for its non-banking ventures like life insurance, a very capital-intensive business. This is true of large banks such as ICICI Bank and State Bank of India.

Advantages

Under the FHC model, a holding company will own the bank as well as the non-banking ventures, each being a separate entity in itself. This will enable better regulation of the entities as well as ensure that one venture's bad financials do not impact the others. Today, for instance, if an insurance company folds up, the risk will immediately get transmitted to its parent bank. The FHC model will allow the holding company and its subsidiaries to list individually and raise capital. "Under the FHC model, the responsibility to infuse capital in the subsidiaries will rest with the holding company," says Rajesh Mokashi, Deputy Managing Director, Care Ratings Ltd.



SANTOSH

Implications

Many of the existing players will not switch over to the FHC model until mechanisms to make the transition tax neutral are in place. RBI has given various suggestions to make this entire transition a tax neutral structure. "It may involve amendments to existing tax laws," says Mokashi.

Global experience

Globally, the financial sector follows different models, including the holding company structure, the parent entity and the universal banking model in which all financial activities are taken within a single entity. Except in the United States, where the holding company structure is the dominant model, multiple models prevail everywhere else.

WORDSMITH
(NEW WORDS IN BUSINESS)

Facipulate

What it means: An unfortunate mix of 'facilitate' and 'manipulate', it means influencing the course of a discussion by indirectly promoting particular lines of thought.

Origin: The verb originated in the US in the 1980s, but became popular in the last decade.

Usage: "During a strategy meeting, we were facipulated into taking an inexpensive option."

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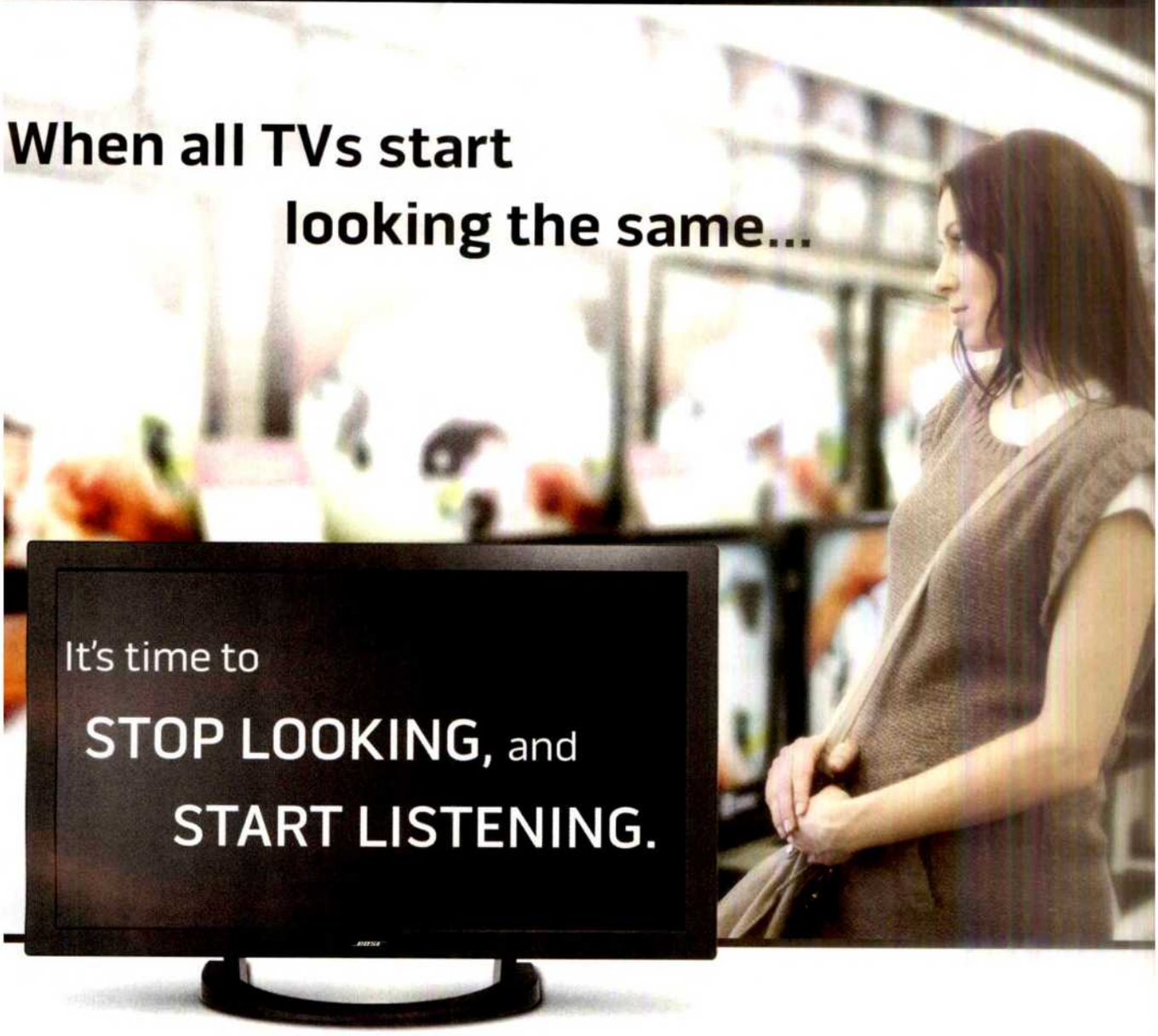

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Apple World: Once you go Mac, you'll never go back (to Windows or anything else)

Lion Roars

People often forget that an important reason for the crash and burn trajectory of Windows Vista, Microsoft's doomed operating system, was that it just could not stand up to Mac OS X Lion. Apple has now given its operating system a thorough makeover, moving the desktop operating system closer to the look and feel of the iOS operating system on iPhones and iPads. Several features are also carried over from iOS, such as full-screen applications, application résumé and other features such as auto save. The new OS provides support for several Indian languages: Bengali, Kannada, Malayalam, Oriya, and Telugu. In addition, Devanagari, Gujarati, Gurmukhi, Urdu, and Tamil have been expanded. Though you cannot set up and use your Mac in these languages yet, this might mean that an "Indian Mac" is not far away.

Price: $29.99
Available: 2011-end

Mac OS X Lion

iCloud

Apple has your data and it wants to let you access it everywhere. Basically iCloud means you can access your content through a host of devices – iPhones, iPads and Mac computers (or compliant PCs). Users get five gigabytes of storage free and music and apps purchases are not counted as storage. Where iCloud will help is in easy syncing of documents and pictures as well as iTunes music (which is still not available in India). However, we will review iCloud again when it becomes available.

Price: 5GB storage free
Available: Shortly

iClone

While its desktop operating system is morphing a clone of its tablet OS, Apple's tablet operating system gets a massive upgrade and massive integration with Twitter. In the process, Apple has removed several of the features that irritated iPad and iPhone users such as notifications that wantonly pop up in the middle of doing something else. With 'Notification Centre', which is borrowed from the Android, notifications appear at the top of the screen which you can drag down. Inspired by the BlackBerry Messenger, Apple has also introduced iMessage on iPad and iPhone devices. The umbilical cord that connects the iPad to a computer, which means you cannot activate the iPad unless you hook it up to a computer, has been cut. No PC or even Mac is required. As with OS X Lion, Apple is gearing up for the post-PC era.

Price: Free for users of compliant versions of iPod Touch, iPhone, iPad
Available: Shortly

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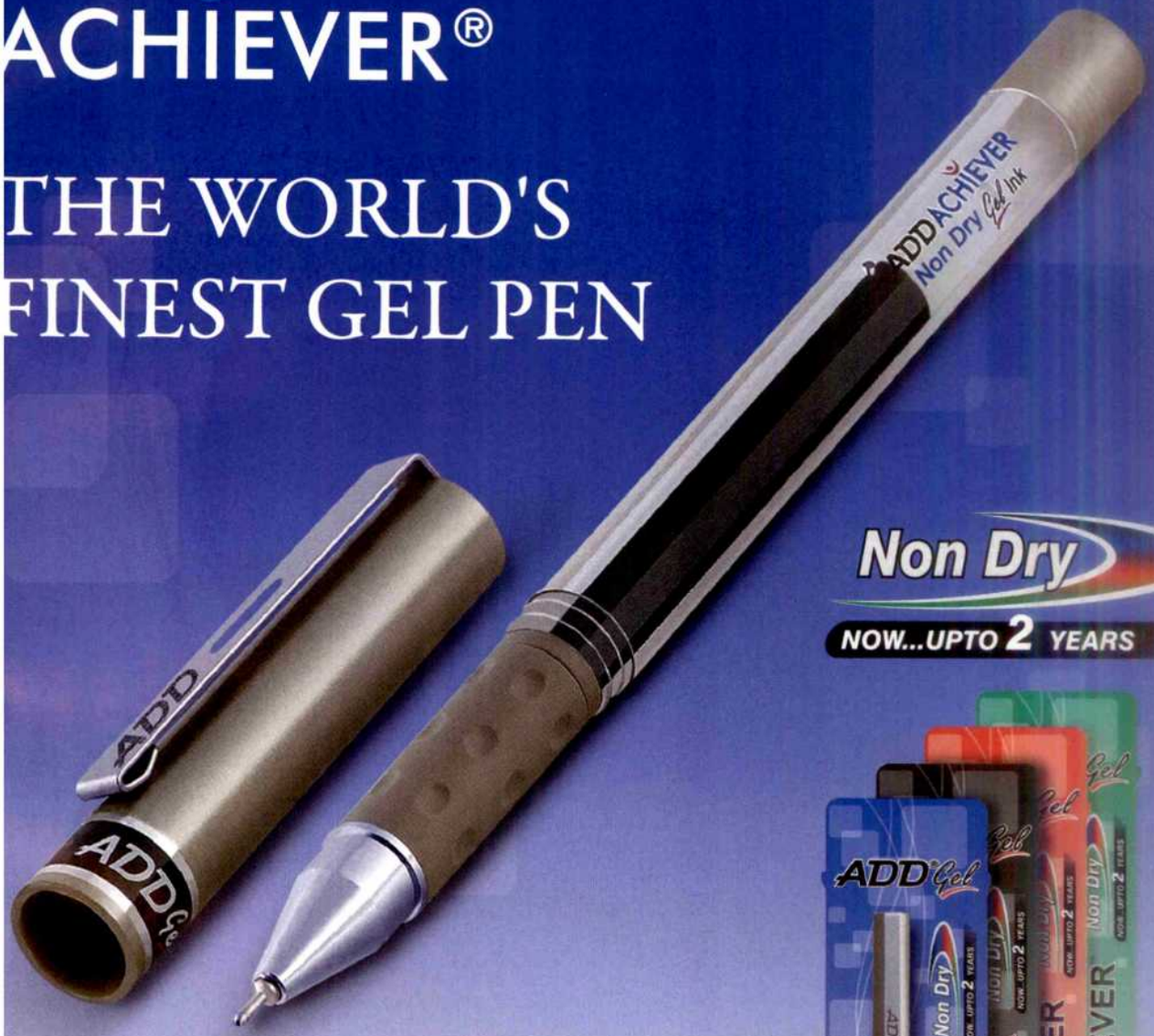

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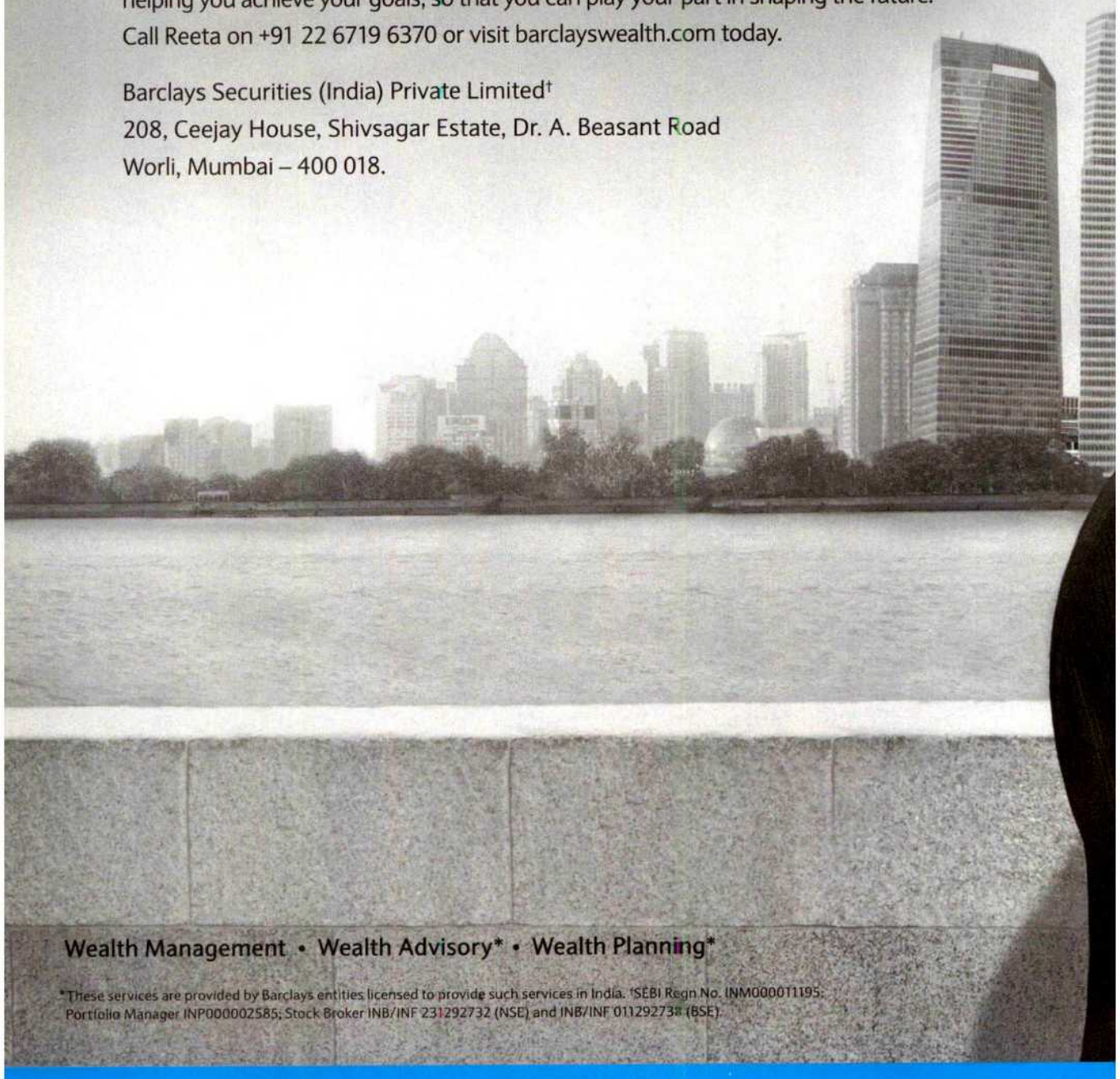

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BARCLAYS
WEALTH

BT-ERNST & YOUNG

Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

Susir Kumar, CEO & MD, Intelenet Global Services

The UK-based global services major Serco has entered an agreement to acquire India-based Intelenet Global Services, a business process outsourcing, or BPO, services provider, for ₹2,859 crore ($634 million). The acquisition is subject to regulatory approval.

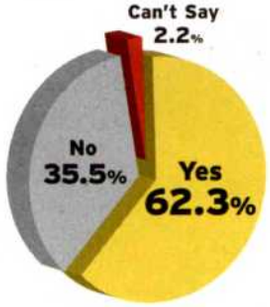
The deal is expected to give Serco access to the Indian market, which it sees growing at 15 per cent per annum. Intelenet's diverse customer base and high-value services, spread across seven countries, are also likely to enhance Serco's market reach and help it build a balanced portfolio. In addition, the deal is expected to enable Serco BPO, formerly infoVision, which Serco acquired two years ago as part of its growth strategy in India, to provide a full spectrum of end-to-end business services.

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (₹ CR)	STAKE (%)
Intelenet Global Services	Serco Group	Technology	Acquisition	2,859	100
Luminous Power Tech	Schneider Electric	Industrial products	Acquisition	1,400	74
Undisclosed jewellery retail brand, Italy	Shree Ganesh Jewellery House	Retail and consumer products	Acquisition	975	100
Isolux Corsán Concesiones	Morgan Stanley Infrastructure Partners	Road and highways	Private equity	905	NA
Diligent Power	Warburg Pincus India	Power and utilities	Private equity	673	25
Magma Fincorp	Kohlberg Kravis Roberts, IFC	Financial services	Private equity	440	28
Emotron AB	Crompton Greaves	Industrial products	Acquisition	374	100
Agenda Glass	HNG Global GmbH	Industrial products	Acquisition	321	NA
Sabero Organics Gujarat	Coromandel International	Chemicals	Investment	284	42
Atlas Logistics	SBS Holdings	Logistics	Acquisition	150	80

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision

*May 10 to June 6, 2011 Not a complete list

Q. Should diesel prices be regulated?



Results of *BT* online poll; No. of respondents: 143

A majority of respondents is in favour of deregulating diesel prices, and understandably so. While petrol prices were deregulated last year, and have been hiked twice since then, diesel prices have more or less remained static. The government has been resisting calls for decontrol of diesel prices on the grounds that it will have an adverse effect on the farming community and stoke further inflation. But this reluctance is adding to the air pollution due to the growing number of diesel-powered passenger and commercial vehicles. Besides, it is inadvertently subsidising the lifestyle of the rich with their penchant for fuel-guzzling SUVs that are invariably powered by cheap diesel.

Next poll question:

Do you expect food prices to moderate in the event of a good monsoon?

Log on to www.businesstoday.in to cast your vote

MARUTI SUZUKI
Way of Life!

152

"Encounter with a Tusker was my Ritz Moment.

Arun

It was our first long drive of about 700 kms from Chennai to Mahe in Kerala through the treacherous and hilly terrain of Coorg.
Driving through the dark forest, we suddenly spotted something white and shining at 2am.
It was a white, long and sharp tusk of an elephant crossing the road.
I thanked my Ritz for responding to us as we moved out of the wild elephant's way in the nick of time.
But we were stunned, surprised, afraid, anxious and happy at the same time.
We lived the moment of our lives!"

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THE TOP 10 Most Watched Ads

May 2011

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1 Rank

Seconds on air: 5,79,435

Limca

GRPs 1,000

2 Rank

Seconds on air: 7,45,545

Lux Fresh Splash

GRPs 850

3 Rank

Seconds on air: 2,65,690

Dettol Toilet Soap

GRPs 833

4 Rank

Seconds on air: 2,39,485

Vaseline Healthy White Cream

GRPs 827

5 Rank

Seconds on air: 2,82,255

Dettol Cool Soap

GRPs 788

6 Rank

Seconds on air: 3,17,785

Cadbury's Oreo

GRPs 759

7 Rank

Seconds on air: 1,90,835

Maaza

GRPs 743

8 Rank

Seconds on air: 5,59,590

Pears Germ Shield

GRPs 658

9 Rank

Seconds on air: 2,48,725

Huggies Dry Pants

GRPs 658

10 Rank

Seconds on air: 2,83,060

Call it the power of machismo – or the success of some intelligent calculations by media planners, backed by big spending. Hero Honda's Hunk bike zipped to the top slot this May, leaving all the fast moving consumer goods brands behind. Our list trails off with the softer hues of Tata Venture (at no. 24) that tugs at emotional heartstrings. Slowdown worries or not, brands are pulling out all the stops.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK/BRAND		GRPs
11	Fanta	637
12	Horlicks	634
13	Procter & Gamble	572
14	Colgate Dental Cream	564
15	Colgate Active Salt	556
16	Vim Drop	534
17	Cadbury's Bournvita Plus Plus	526
18	Sunsilk Nano Complex	511
19	Pepsodent Germicheck Magnets	504
20	Garnier Light Ultra	496
21	Fair & Lovely Ayurvedic Care	491
22	Ponds Age Miracle	484
23	Tang	459
24	Tata Venture	458
25	Horlicks Junior	456

All India CS 4+Yrs; GRP normalised to 30 secs
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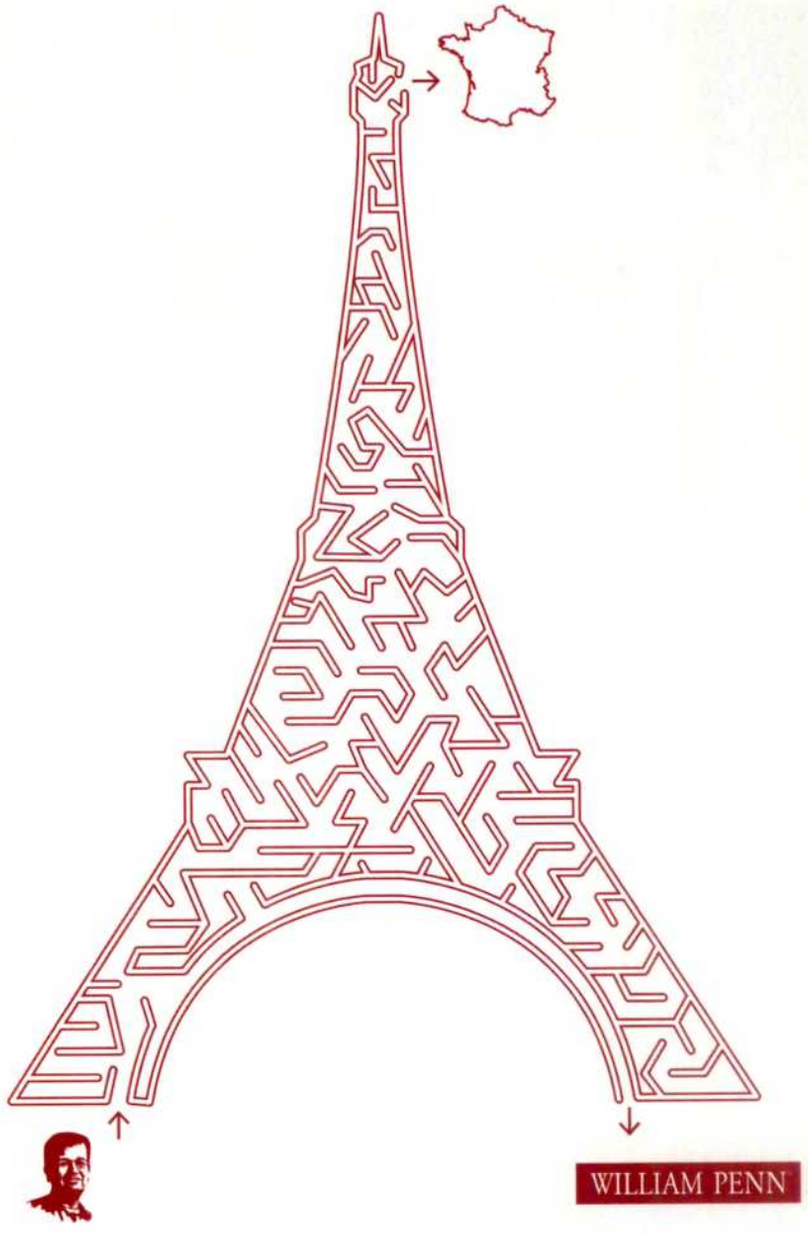

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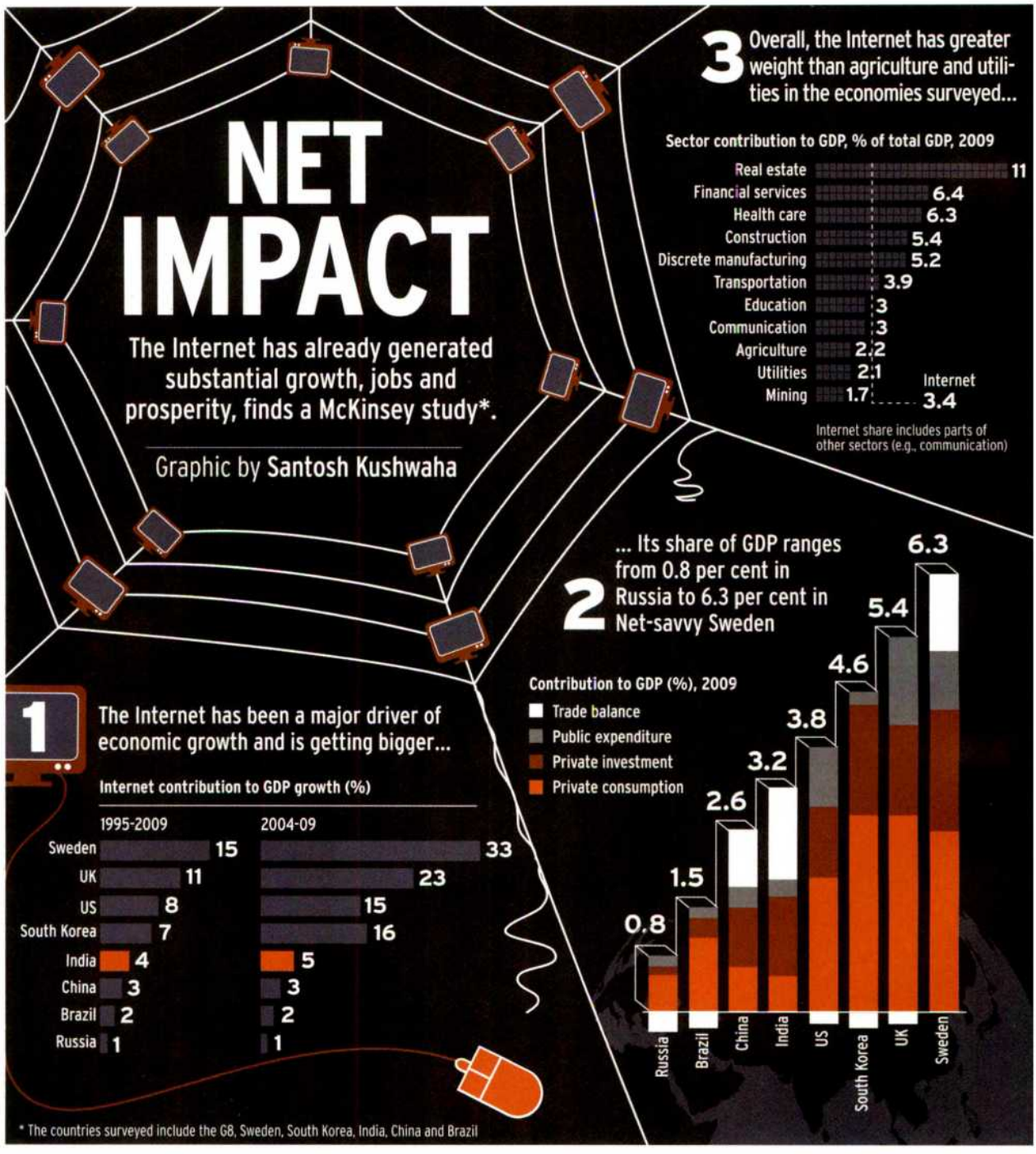


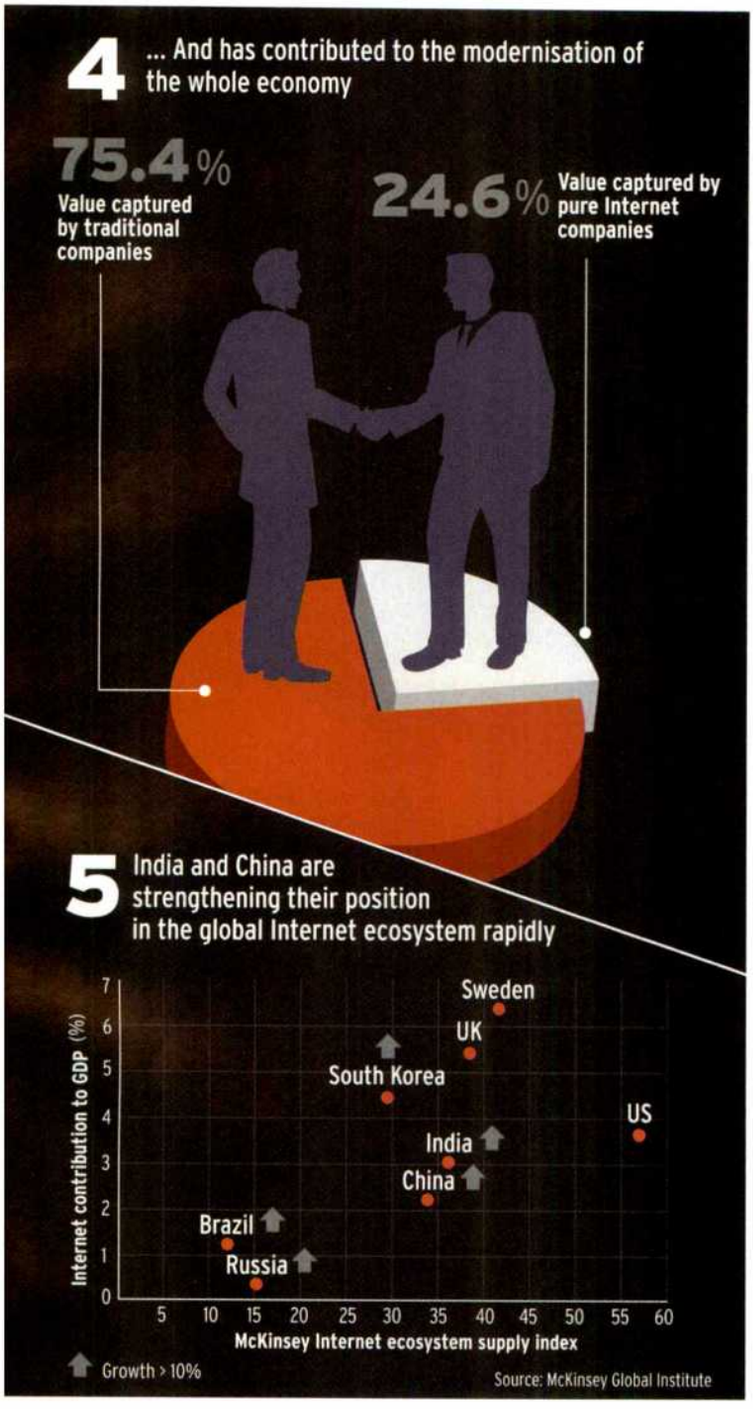
5 STEPS TO HERE
BHARTI'S AFRICAN SAFARI

1

February 2010
Zain Telecom accepts $10.7 billion buyout offer from Bharti Airtel for the sale of its African unit, Zain Africa BV.

2

June 2010
Bharti Airtel completes the acquisition of Zain Telecom's businesses in 15 African countries.



BT Retro
October 8, 2006

Shopping Abroad

THEN: Tucked away among the details of accounting firm Grant Thornton's report on deal activity in India in the first half of 2006 – India witnessed deals worth $14.3 billion, or ₹67,210 crore, of which $10.8 billion, or ₹50,760 crore, were outright mergers or acquisitions and the rest, private equity investments – is the story of India Inc.'s growing appetite for foreign companies. In number terms, that appetite translates into 85 deals, or $4 billion, or ₹18,800 crore (resulting in an average deal size of around $47 million, or ₹220.9 crore).

Apart from the fact that acquisitions have been made by Indian companies from diverse sectors, the average deal size is up. In 2005, Indian firms spent $4.3 billion, or ₹19,350 crore then) on acquiring 136 foreign companies, an average deal size of $32 million, or ₹150.4 crore. If recent deals are any indication, deal sizes are set to increase further.

"Today, for Indian companies, it is about dreaming big globally," says Jitender Balakrishnan, Deputy MD, IDBI Bank. Companies in sectors such as pharmaceuticals, telecom, energy, IT and ITeS are at the centre of this outbound M&A activity.

NOW: In 2010, India witnessed a total of 971 deals valued at $62.2 billion, with M&A accounting for $49.8 billion and 622 deals, according to data from Grant Thornton India.

3

February 2011
Weighed down largely by its Africa operations, Bharti Airtel reports a bigger than expected 41 per cent drop in Q3 profits.

4

May 2011
Bharti Airtel plans a global bond issue to raise over $750 million.

5

June 10, 2011
Bharti receives investors' nod for issuing bonds worth $1.2 billion to retire part of the Zain acquisition debt.

Manoj Kohli, CEO, Bharti Airtel

ANAMIKA BUTALIA

"India a Key Market for Content Creation and Consumption"

RACHIT GOSWAMI\www.indiatodayimages.com

JOHN NENDICK, *Global Industry Leader, Global Media & Entertainment Center at Ernst & Young, helps tote up the Emmy ballots every year. During a recent visit to India, he spoke with* **ANUSHA SUBRAMANIAN** *on the Indian media and entertainment space, the opportunities it affords and the pace of digital media adoption. Edited excerpts:*

On emerging markets: As the media and entertainment industry in developed markets copes with the digital revolution amid stagnating growth rates, emerging markets offer an attractive alternative, driven by their fast-growing middle class and relative youth. India has become a key market for global media and entertainment companies in content creation and consumption.

On the industry in India: India is the youngest nation among the BRIC economies, and is thus well poised for growth. With the right regulatory environment and higher volumes of content consumption, it holds significant potential for foreign investments across all media and entertainment segments.

On digital media adoption: India needs to move forward faster in the digital space. Some Indian media and entertainment companies have taken the lead, though. Traditional companies have started earning revenues from digital music downloads as well as by rolling out film promos and daily soaps on YouTube.

Global trends: Consumers are looking for personalised experience and accessibility of content, and technology is enabling that. An example is the launch of UltraViolet, a consortium of companies in the US that provides a universal digital locker, a secure store for rights-protected content. If a consumer wants to own a film, he can pay for it once and it will be stored in the digital locker, and he can access it from anywhere on his iPad, PC, etc. Also, young consumers want social experience, so social media is gaining ground.

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HOW THINGS WORK

Chasing the Monsoon

This year the south-west monsoon arrived in Kerala three days ahead of the June 1 date predicted for it by the Indian Meteorological Department, or IMD, raising fears of an uneven monsoon. But predicting the monsoon down to the date on which it will strike is quite a task. Here is how it is done:

COLLATING DATA: Meteorologists use their knowledge of existing weather conditions to plot the 'Weather Map', the basic forecasting tool. It depicts the distribution patterns of atmospheric pressure, wind, temperature and humidity. Of the two types of basic weather maps, the surface map – the one used to forecast rains – is made once every six hours and provides data on distribution patterns of precipitation and cloudiness.

ANALYSING DATA: The data is plotted on the weather map and analysed isobarically – links established between the atmospheric pressure and direction of the wind at different places. Through this analysis, high or low pressure areas, forthcoming cyclones, and weather events are then identified.

IT'S A DATE: The data is then compared with that from previous years. Looking at atmospheric distribution patterns and cloud formations of previous years, an approximate date for the arrival of the monsoon is reached.

JUST WONDERING

Cleaning the Slate

Anything and everything bearing the imprint of her predecessor M. Karunanidhi and his Dravida Munnetra Kazhagam, or DMK, seems to be anathema to Tamil Nadu Chief Minister J. Jayalalithaa. Since returning to power in May, she has scrapped one popular scheme after another of the DMK's and replaced them with her own. These include the rural housing and health insurance schemes, the latter named after Karunanidhi. Wherever it was not possible to undo the work carried out by the previous regime, as in the case of the ₹1,020-crore legislative assembly complex, she has hit back by launching a probe into alleged irregularities during the construction. She is said to be planning to soon scrap another scheme, a pet one of Deputy Chief Minister M.K. Stalin – that of cleaning up the smelly Cooum and Adyar rivers in Chennai. Is the exercise just political vendetta at its worst? Or, a smart way to start with a clean slate?

COMPILED BY MUKUL RAI, ANAMIKA BUTALIA

QUIRKY

Archie Goes *Desi*

There are limits to Indianising foreign material. When McDonald's recently unleashed its Paneer (cottage cheese) Burger hoping to cash in on the widespread popularity of paneer in India, no one complained. McDonald's invested much time and money to come up with a paneer patty that would sit tight in a bun. However, Archie Comic books set in an Indian locale, are another matter: the thought of Archie, Veronica, Jughead and Betty going *desi* in the Hindi and Malayalam avatars of the iconic comic book, tucking into *samosas* and *bhelpuri* and belting out Bollywood numbers is hardly palatable. The producers of Archie Comics, though, believe they are no eggheads, and their plan makes perfect business sense.

SNOOT CORNER

Quality Time

Timepieces are a collector's delight. A watch's look, feel and weight are its signature traits. The screwing crown is different in every luxury watch. The scratch-proof shield is usually made of sapphire crystal, which means that only a diamond can scratch this shield. The Basel, named after the Swiss city it was developed in, is the moveable circumference placed around the dial of a watch. It can be turned in either direction usually but as a signature trait, high-end luxury brands design it to be unidirectional. Luxury watches use the 316L steel, which is also used to make surgical equipment, because it is a form of steel that does not provoke allergic reactions.

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BLACK Stays Beautiful

Unaccounted wealth stashed overseas comes back through Mauritius, while loopholes at home remain a problem. By SANJIV SHANKARAN

GETTY IMAGES

Tax evaders' haven: The beach front at Mauritius

Staggering Sum

Estimates of the amount of black money stashed abroad

$213 Bn	$462 Bn	$33.4 Bn	$300 Bn	$230.6 Bn
Global Financial Integrity estimate For the period 1948-2008	GFI estimate (with interest)*	National Institute of Public Finance and Policy estimate Made in 1983/84; ₹/$ taken as 11	NIPFP estimate extrapolated to 2010/11**	India's external debt in 2008 ***

*Interest at rate offered by US Treasury Bills

** Extrapolated on basis of GDP growth

*** Central Statistical Organisation

The contrast was striking. After months of having been on the defensive over his government's inability to effectively combat black money, Finance Minister Pranab Mukherjee, for once, had his questioners squirming. The difference was that he was dealing with an international audience. A team from the Organisation for Economic Co-operation and Development, or OECD, led by its secretary general Angel Gurr'ia, in New Delhi to attend a tax conference, was put on the back foot when Mukherjee said slow international progress in dismantling banking secrecy laws hindered India's attempt to uncover money siphoned out of the country. "It is a real impediment in many cases," agreed Gurr'ia. The unravelling of secrecy laws remains a distant prospect, putting many who may have siphoned out money out of the reach of Indian authorities.

Domestic Discomfort

The OECD may have been easy to convince. But within India scepticism abounds about not just Mukherjee's own determination to tackle black money, but also the entire political class's attitude to it. Over the past two years, driven by the US fighting terror funding, the world has moved towards gradually dismantling banking secrecy laws and opening tax havens to scrutiny. India rode this bandwagon to renegotiate tax treaties with partner countries, and also to sign fresh agreements to exchange information with tax havens such as the Cayman Islands in the Caribbean.

But these developments may be ineffective unless they are complemented by reforms at home. Agreements with some tax havens, for instance, come replete with safeguards that require investigations within India to generate credible evidence before any information is forthcoming. According to Mukesh Butani, Chairman, BMR Advisors, a services organisation providing tax advisory, the recent agreements assume a level of sophistication in understanding of the laws among tax officials that may not yet exist. "We don't have a gameplan in mind," Butani says, pointing to the absence of a comprehensive approach.

Tax reforms, too, continue at a glacial pace and gloss over grey areas. Over the past four years, states have been negotiating with the Centre to design an architecture for the goods and services tax (GST), which aims to dismantle fiscal barriers and create a common market in India. The direction of negotiations seems to suggest real estate is an irrelevant part of the economy, whereas it is a sector where black money is considered rampant. "The unspoken rule is that you don't raise the issue for sectors like real estate and alcohol," says Satya Poddar, Partner at Ernst & Young, or E&Y. Poddar has advised some of the states in the negotiations and also been part of a panel commissioned by the Thirteenth Finance Commission to suggest a GST architecture.

In 2010, US-based not-for-profit organisation Global Financial Integrity, or GFI, estimated $213 billion or about ₹9.58 trillion (1 trillion equals 100,000 crore) had been

The Importance of Being Mauritius

Mauritius is used as a mail box to invest in India. Thirty-eight venture capital investors in Mauritius had the same addresses, telephone and fax numbers.

- Acquarius Capital Mauritius
- AMIF II Ltd
- JAFCO Asia Technology Investments III (Mauritius)
- Monet
- LB Ventures (Mauritius)
- Ares Investments
- Battery Venture VII Mauritius
- Canaan VII Mauritius
- Nea FVCI Ltd
- Nea Indo US Venture Capital
- Tano Mauritius
- IDFC Private Equity (Mauritius) Fund III
- Jafco Asia Technology Investments IV (Mauritius)
- Greylock (Mauritius)
- AIF III Sub Pvt. Ltd (sponsored by UTI)
- Battery Ventures VIII FVCI (Mauritius)
- Sequoia Capital GF IV Mauritius
- Walden Investments VI
- Zephyr-Peacock India I
- CVCGIP II Client Ebene
- CVCIGP II Employee Ebene
- India Advantage Fund S3 DIF II
- AOF HS Mauritius
- Citigroup Venture Capital International Mauritius
- Dynamic India Fund V
- Aditi Investment Holdings
- CV Global Holdings Inc.
- Hema CGPE Ltd
- Hema CiPEF Ltd
- Norwest Venture Partners X- Mauritius
- Sandstone Private Investments
- Ashoka Investment Holdings
- Renoir Limited
- 2i Capital PCC
- Canaan VIII Mauritius
- NYLIM Jacob Ballas India (FVCI) III LLC
- DFJ Mauritius Inc
- Sequoia Capital India Growth Investment Holdings II

Source: Finance Ministry statement in Parliament on April 16, 2010

siphoned out of India over a 60-year period ended 2008. Among the more conservative estimates (See: *Staggering Sum*), it nevertheless drew interesting conclusions.

The economic liberalisation since 1991 may have increased the avenues to illegally take money out, but the money has not been entirely lost to the economy, the report says. Raymond W. Baker, Director of GFI, points out that the money "round trips," or is laundered and brought back in the form of investments. And if there is one destination that is synonymous with the round trip, it is Mauritius, an island nation in the Indian Ocean that is the springboard for much of the capital inflows into India.

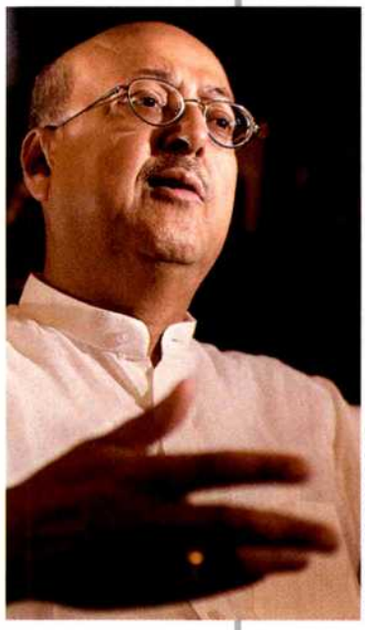
Focus South West

In the early 1990s, India signed a tax treaty with Mauritius that provided significant tax benefits to investments routed from there. The extent of foreign portfolio flows coming through Mauritius is not in the public domain, but it is the largest source of foreign direct investment. Bona fide portfolio and direct investments do come through Mauritius, but enforcement officials believe it is a popular route to bring back money that had earlier been illegally taken out. "It is nothing but our money coming through," says B.V. Kumar, a former head of the Directorate of Revenue Intelligence.

The Mauritius treaty is being renegotiated, but the discussions on it have made little progress so far. International treaties cannot be unilaterally abrogated. However, Mauritius is being increasingly seen in a negative light in Indian financial circles. The finance ministry expressly told Parliament when quizzed about the alleged irregularities in the ownership of some of the teams in the Indian Premier League that the trail led to Mauritius and a few other destinations. A prominent Mauritius angle has also emerged in the investigations into the 2G scam.

But recent developments have made it possible to start the process of cleaning up the Mauritius route, says E&Y's Poddar. Proposals in the direct tax code to eliminate long-term capital gains tax in trade in listed securities will make Mauritius irrelevant to genuine portfolio investors. With the Direct Taxes Code, "benefits of the Mauritius treaty will be gone for public companies," says Poddar, adding that they will remain only for private equity investors. He suggests India persuade Mauritius to accept a gradual phase-out of some parts of the tax treaty to allow existing investors to unwind their positions, if necessary.

Without domestic tax reforms, particularly in indirect taxes, a significant portion of the economy will remain outside the tax net. "I don't say don't go after black money abroad. But first let's clean up India. Once you clean up, two things will happen. GDP will register skyrocketing growth and generation of further black money will stop," says Durgesh Shankar, a former member of the Central Board of Direct Taxes. ◆



SAPTARSHI BISWAS

INTERVIEW Durgesh Shankar, Former Member, CBDT

"Impossible to Put a Figure"

The former member of the Central Board of Direct Taxes, shares his insights. Edited excerpts:

On the amount of black money: It is very substantial, virtually impossible to put a figure to it.

On Mauritius: They are very tough negotiators.

On getting black money back: A country needs to make its own system attractive as an investment destination so that people are tempted to bring back money. There is also a large amount of Indian black money within the country. Most of it is used in running businesses. Go to Dharavi. See how much business is going on. It is outside the tax system. Why don't we work on bringing this into organised fold? What does it entail? I don't say don't go after black money abroad. But first of all let's clean up India. Once you clean up, two things will happen. GDP will register skyrocketing growth and generation of further black money will stop.

On other domestic reforms: Let us talk rural first. That is one area where you won't have any data, but rural India is generating a lot of black money. Let agricultural operations in respect of essential food items be out (of the tax net). But what about other activities? We have set up huge cooperatives in *mandis*, they have all become great sources for giving a cloak of respectability to unaccounted money.

Full transcript of the interview at
www.businesstoday.in/shankar

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Let in the Light

A sneak preview of the report of the Chawla Committee on Pricing and Allocation of Natural Resources. The emphasis is on markets. By PUJA MEHRA

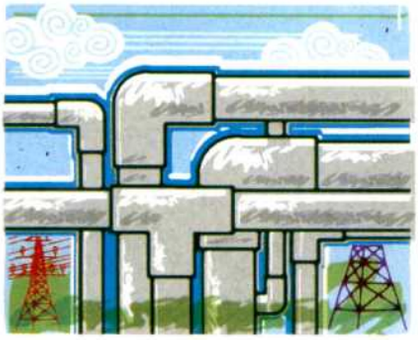
Red-faced over the 2G scam, the under-production of gas from the KG Basin reported by Reliance Industries, and botched allocations to private parties of other natural resources such as land, the United Progressive Alliance government set up a committee in February, for policy recommendations on these issues. Finance Minister Pranab Mukherjee said in his Budget 2011 speech that the panel would focus on setting criteria for the pricing and allocation of natural resources. At present, the Centre takes these decisions, which makes resources – and thus economic growth – vulnerable to the politician-businessman nexus. Former Telecom Minister A. Raja's alleged favouring of some applicants for 2G licences, and the infiltration of Karnataka's Bharatiya Janata Party government by the Reddy brothers, are examples of this. The panel, headed by retired Finance Secretary Ashok Chawla, favours a move towards market-linked solutions. Key recommendations:

Spectrum

Spectrum should be allocated to companies only through market-related processes such as auctions. Allocation should be unbundled from the issuing of licences, so that companies can trade spectrum. Spectrum meant for strategic defence use should be identified, and the rest put in the public domain for commercial use. There should be a clear road map that indicates what type of spectrum, and how much, will be up for grabs at various points in time. This will help companies to plan better the quantity and price of their bids in auctions, and prevent hoarding and unrealistic premiums. A non-government regulator should oversee the process. This could be the Telecom Regulatory Authority of India, if there is some way to guarantee that it is not functioning at the behest of Sanchar Bhawan.

Petroleum

The New Exploration Licensing Policy should remain the gold standard, as it has stood the test of time, but all blocks must be identified, and a national registry created to provide data on all blocks in the public domain. Then exploration can rise to the next level through an open acreage licensing policy, by which companies can bid for any blocks they like, rather than the government cherry-picking blocks for auction. This will draw the best names in the business to the auctions.

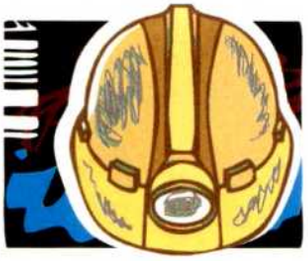


Gas

The administrative regime that currently determines who gets how much gas, and at what price, should be reined in, as it causes inefficiencies in the system. Allocations in all sectors except fertilisers—and that, too, only for some more time—should stop, and this includes the power sector. Prices should be benchmarked to international levels through auctions. The use of coal should be encouraged, given the country's relatively abundant reserves. Gas should not be used to produce power after a certain declared deadline. Even till then, gas used for power generation should not be subsidised. If the government wants to make power affordable to a set of consumers, it should subsidise power consumption instead of picking up the bill on behalf of power producers and states by subsidising inputs such as gas.

Coal

The Coal Mines (Nationalisation) Act, 1973, creates a legal hurdle in ending Coal India's monopoly, because it specifies that end-users must either have captive mines or buy from the public sector unit. E-auctions mostly end up forcing users to aggregate supplies from various sources. So independent mining companies should be allowed to supply to end-users. To avoid violation of the law, there should be a trading platform for coal, similar to Power Trading Corporation. Coal India can play this role until a regulator is created.



Mining

India should adopt the model used in Australia and South Africa, where "juniors" prospect for potential reserves and sell the data to commercial miners. Mines are allotted to data gatherers on a first come, first served basis.

Forests

The government should make public the details of all forest land graded as Go, No Go and Go Only If. The Ministry of Environment & Forests uses a net present value-based formula for the valuation of trees to determine penalties to project developers who cut them. But the valuations are insubstantial. The formula thus needs to be revised, and must factor in the value of the land. At present, companies pay only for the value of the trees they cut down.

ILLUSTRATIONS BY RAJIV RANJAN

Cable Fault

Why his cable business is critical for Kalanithi Maran and an eyesore for Jayalalithaa

By N. MADHAVAN

There has been overwhelming demand... for the immediate revival of Arasu Cable TV Corporation for providing cable TV services ... This government will nationalise private cable TV operations."

That was Governor Surjit Singh Barnala spelling out the priorities and programme of the new All India Dravida Munnetra Kazhagam, or AIADMK, government in his address to the Tamil Nadu legislative assembly on June 4.

Why would a party, which won on an anti-corruption plank, list the nationalisation of cable distribution as one of its major goals?

The answer lies in the bitter political rivalry between the AIADMK and the Dravida Munnetra Kazhagam, or DMK, which was in power till the April Assembly elections. The Maran brothers – Union Textiles Minister Dayanidhi and Kalanithi – are nephews of DMK patriarch M. Karunanidhi. Kalanithi owns the biggest TV distribution network in the state, Sun Cable Vision, or SCV, which naturally gives a certain muscle power to the DMK.

Ostensibly, SCV is not a business that generates massive revenues. Its parent company Kal Cables posted a ₹4.09-crore loss in 2008/09, the latest year financial data is available for the company. Income from TV signal distribution in Tamil Nadu accounts for four per cent of Kalanithi's Sun TV group's revenues.

Yet SCV is crucial for both the Marans and the DMK. "SCV is the base on which the Maran empire is built," says C. Umashankar, former Managing Director of Arasu, the state-owned TV distribution company referred to in Governor Barnala's speech, which will control all cable distribution in the state if Jayalalithaa carries out her threat.

SCV, which currently controls the bulk of the distribution market in Tamil Nadu, gives the Sun TV channel and consequently the Marans and the DMK, a unique advantage. "SCV determines placement of its own channels vis-à-vis competitors. All Sun channels are placed in the prime band," says P.V. Kalyanasundaram, who chairs Polimer Media that runs an eponymous channel.

Presence in the prime band, coupled with strong content, has helped Sun TV notch up unbelievable viewership numbers. Its share in the general entertainment category in Tamil for the week June 5 to 11 this year – the latest data available – stood at 72.85 per cent. Rupert Murdoch's Star Vijay was a distant second with a meagre 7.45 per cent.

Such dominance has translated into stronger ad revenues and super normal profits. For the quarter to March 2011, Sun TV posted a turnover of ₹460 crore and a net profit of ₹208 crore. Its operating profit margin, or OPM, was an enviable 97 per cent and net profit margin, or NPM, stood at 45 per cent. In comparison, the OPM and NPM of Zee Entertainment were 23 per cent and 14 per cent, respectively. "Control over distribution has led to the high returns," says Timmy Kandhari, who leads the media practice of PriceWaterhouseCoopers.

It also helps Sun TV keep competition at bay. "By placing rival channels poorly, SCV crushes competition," says Kalyanasundaram. His channel is not available for 200,000 set-top box using households in Chennai, as SCV does not distribute its signal digitally. When queried, SCV Managing Director Vittal Sampathkumaran declined to comment.

In fact, in her earlier stint as chief minister from 2001 to 2006 too, Jayalalithaa had sought to hit the DMK in a similar manner. She even brought a Bill seeking to nationalise SCV, which the Assembly passed, but on that occasion the same Governor Barnala sent it back without signing it. Relations between the Centre and the DMK were then very different from now, when senior party members – former Union Communication Minister A. Raja and Karunanidhi's daughter M.K. Kanimozhi – are in jail.

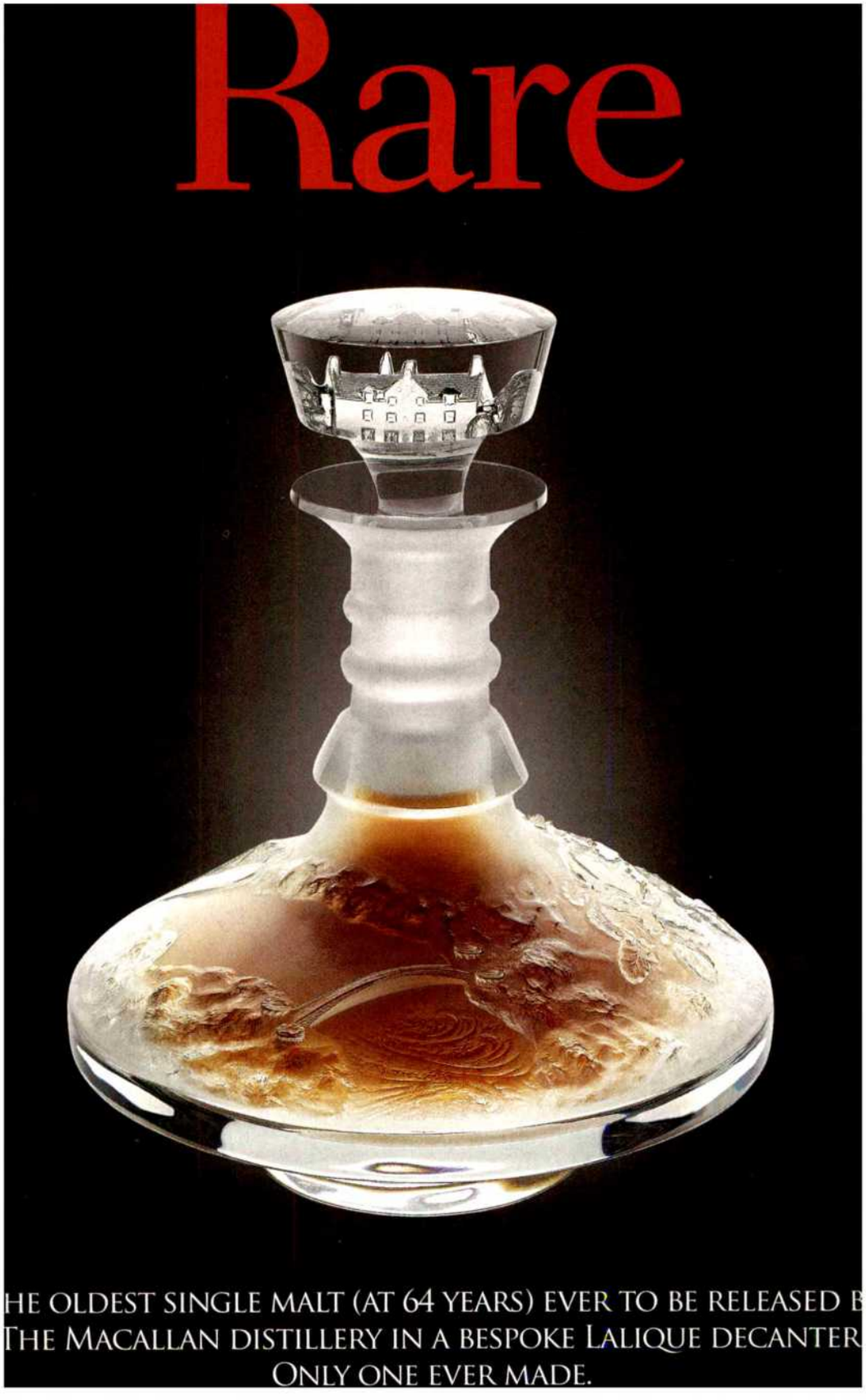
Ironically, Arasu owes its existence not to Jayalalithaa, but to the DMK. Karunanidhi as Chief Minister had set it up in 2007 to end the dominance of SCV during a family feud with the Maran brothers. But once they made up, Karunanidhi had no further use for Arasu.

In the past, SCV has refused signals to those attempting to set up a parallel distribution network. Even Karunanidhi's son and Union Minister for Chemicals and Fertlisers M.K. Azhagiri, has been a victim. In June 2008, with the Karunandhi-Maran feud still on, when Azhagiri launched Royal Cable Vision, or RCV, in Madurai, Sun simply refused to share signals. RCV then moved the Telecom Disputes Settlement and Appellate Tribunal. "Without Sun feed, no distribution company can hope to succeed," says Umashankar.

Jayalalithaa's second effort to rein in SCV, then, does not bode well for Sun TV. It is staring at a loss of distribution muscle. This, aided by better positioning of rivals, is expected to increase rival viewership at Sun's cost. "Sun has established a strong base due to first mover advantage. It will remain a major player but competition on distribution front will end its abnormal profits," says Kandhari.

The heat is stifling, and all rivals are hoping for a Sun set. ◆

Rare



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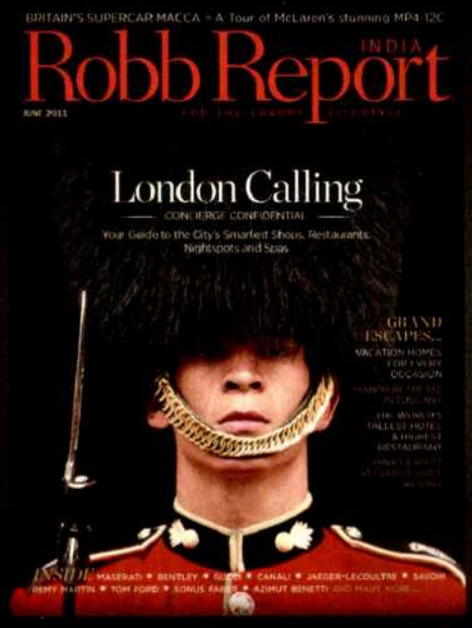

Robb Report INDIA

At Home in the World: M.F. Husain *(1915-2011)*

In his ninety-five years, saturated with more experiences and achievements than most people could imagine, let alone aspire to, M.F. Husain made both a name for himself in his country and for his country in the world. Husain's work, his prominent figure, his larger-than-life personality, and the legends that surrounded him touched several lives across the globe. Last week, when Husain passed away in London, he left a legacy that almost seems too large to describe in words. Rather, it is to be experienced – through his paintings, his films, his writing, his public art and more.

Since the day F.N. Souza walked under the ladder that Husain was standing on, painting billboards on the streets of Mumbai, and recruited him to co-found the Progressive Artists' Group in 1947, Husain has stood at the forefront of modern Indian art. Of the original members of the Group, Husain was key as he continued to reside in Mumbai, leading the movement in India to define a fresh modern vocabulary for Indian art. His ability to rise above artistic and geographic borders allowed him to present a new emergent identity to India and the rest of the world. As he negotiated this undertaking, Husain engaged as much with contemporary trends in Western art as he did with classical Indian art forms. Thanks in great part to a group of Jewish émigrés from Europe, including Rudolf von Leyden, Walter Langhammer and E. Schlesinger, who settled in India after fleeing Hitler's expanding regime and became patrons of its nascent arts scene during the 1940s, Husain encountered the work of artists like Monet, Degas, Matisse, Picasso and Gauguin for the first time.

Husain had an incredible ability to amalgamate influences and experiences in his life to create his own expression. He incorporated what he identified with from the currents of the American and European modernist movements that this group of European writers and critics exposed him to, alongside the aesthetic principles that informed traditional Indian art forms. Husain immersed himself in the study of forms of Gupta bronzes, classical Hindustani music and dance that he encountered on his travels around the country along with Indian folk traditions. These seemingly divergent streams of aesthetics allowed Husain to forge a unique artistic idiom that both recognised and transcended national identity.

When recognising Husain for his contributions to Indian art over the last 65 years, it is unfortunate that headlines recently associated with him, including controversy over a painting, his self-imposed exile from India, and his eventual acceptance of Qatari citizenship in 2010, tend to overshadow these and many other achievements that firmly established him as one of India's most renowned artists. Although the artist's heart always belonged to India and its people, his spirit was itinerant. Wherever Husain went, he painted, and wherever he painted, he was at home. ◆

Minal Vazirani is co-founder and president of Saffronart; Nishad Avari is its editor

Skillfully balancing popularity with critical acclaim, M.F.Husain positioned himself as an iconoclast, a performer whose arresting presence and striking work broke down the existing notions of art and its purview.

Full text of the column at
www.businesstoday.in/minal

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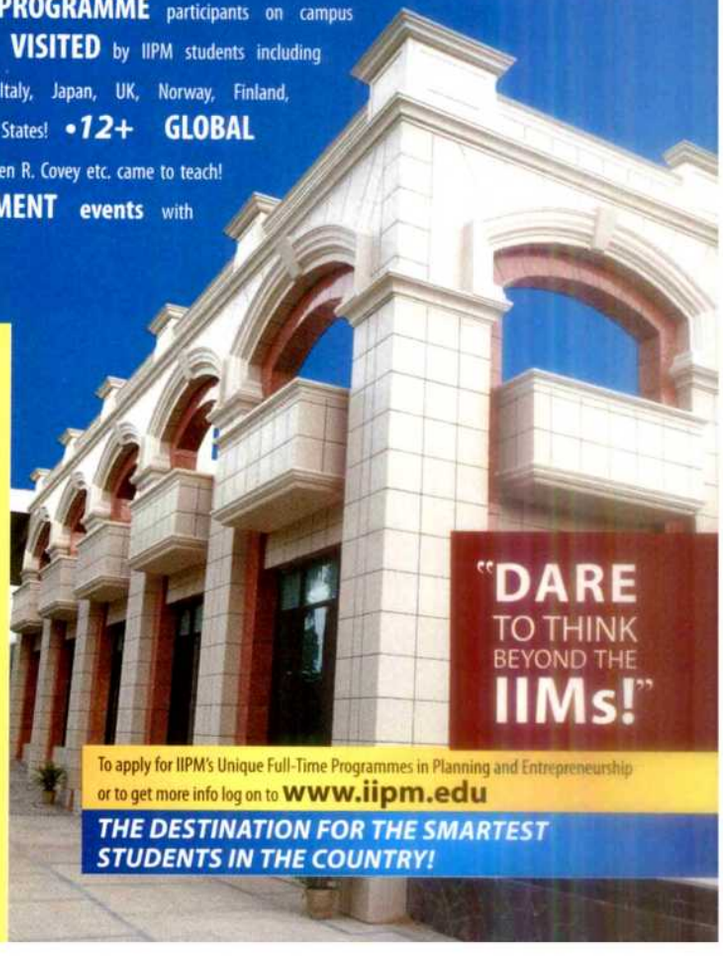

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Personal Governance
Mumbai, Ahmedabad, Delhi

Columbia Business School
Prof. JP Benya — June '10
Healthcare Marketing
Delhi, Ahmedabad, Pune, Mumbai

NYU, Stern
Prof. John Czepiel — July '10
A Marketer's View of Competitive Strategy
Delhi, Hyderabad, Chennai, Bangalore

NYU, Stern
Prof. Vishal Singh — August '10
Retail Competition
Delhi, Pune, Mumbai, Bangalore

Kellogg School of Management
Prof. Masud Arjmand — August '10
Management and Organization
Delhi, Lucknow, Kolkata, Bhubaneshwar, Hyberabad

Chicago Booth School of Business
Prof. Peitro Veronesi — September '10
Financial Risk Management and the 2008 Financial Crisis
Delhi, Chennai, Hyderabad, Bangalore

Stanford GSB
Francis Flynn — September '10
High Potential Leadership
Delhi, Mumbai, Hyderabad

Duke University, Fuqua School of Business
Prof. Gurhan Kok — October '10
Strategic Supply Chain Management
Delhi, Chandigarh, Dehradun, Jaipur

McCombs School of Business
Prof. Gaylen Paulsen — October '10
Negotiation
Delhi, Bangalore, Pune, Mumbai

UMICH, Dearborn
Prof. Aaron Ahuvia — November '10
Escaping the Customer trap
Delhi, Cochin, Bangalore, Hyderabad

Wharton Business School
Johannes Penning — Novembeer '10
Innovation
Kolkata, Indore, Bhopal, Cochin

Haas School of Business
Frank Schultz — December '10
Strategic Thinking: Devising Strategies for Competitive Advantage
Bangalore, Mumbai, Ahmedabad, Delhi

Kellogg School of Management
Lakshman Krishnamurthi — December '10
Marketing
Kolkata, Bangalore, Cochin, Chennai

INSEAD
Lauren Mathys — January '11
Blue Ocean Strategy
Delhi, Dehradun, Bhubaneshwar, Hyderabad

HBS
Rajiv Lal — January '11
Key to Cutomer Centric Organizations
Delhi, Bangalore, Chennai

IMD
Pucik Vladimir — February '11
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Delivering Justice in the Age of Consent

Why SEBI persists with its consent orders, which are enabling wrongdoers in the finance markets to bail themselves out.

By RAJIV BHUVA

A large business conglomerate, a merchant banking outfit, and many other offenders in India's securities markets have something in common when it comes to their bailout option – consent orders issued by the market regulator, the Securities and Exchange Board of India, or SEBI.

According to the SEBI guidelines of April 2007, a consent order means "an order settling administrative or civil proceedings between the regulator and a person (Party) who may prima facie be found to have violated securities laws. It may settle all issues or reserve an issue or claim, but it must precisely state what issues or claims are being reserved. A consent order may or may not include a determination that a violation has occurred."

The beauty of this definition is that there is no sting in the tail. In early January, Anil Ambani and his Reliance ADA Group, accused of playing the market with funds raised from borrowings, got away with paying ₹50 crore to SEBI, in the largest-ever settlement in the history of Indian capital markets. Two ADA Group companies –

Many challenges: SEBI chairman U. K. Sinha

UMESH GOSWAMI/www.indiatodayimages.com

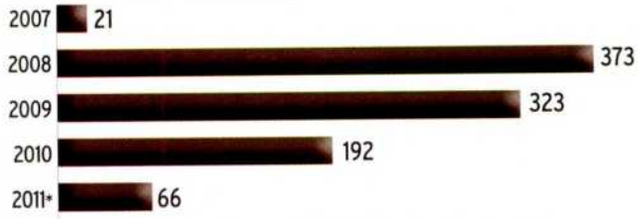
Reliance Infrastructure and Reliance Natural Resources – and over half a dozen senior officers, got away, except for the fines.

After a full-fledged probe, SEBI revealed that the ADA Group and its directors had used money raised by group outfits as external commercial borrowings and foreign currency convertible bonds to invest in stock market activities. The two companies were found to have misrepresented the nature of investments in certain securities and their profit and loss statements in their annual reports from March 2007 to March 2009.

Big Fish That Got Away This Year

Order Date	Applicant	Settlement in ₹
Jun 9	Reliance Securities	25 lakh
Jun 7	Shantanu Prakash (Educomp Solutions)	3 lakh
May 13	Merrill Lynch Capital Markets España	60 lakh
May 11	Edelweiss Capital	15 lakh
Jan 14	Reliance Infrastructure + Directors	25 crore
Jan 14	Reliance Natural Resources + Directors	25 crore

Consent Order Log



Figures indicate number of orders *Consent orders passed until June 9

SEBI's four-page order had elaborate references to the show-cause notices. But what it lacked was a statement about the gravity of the wrongdoing and the amount involved in the financial misrepresentation.

Elder brother Mukesh Ambani and his Reliance Industries have also queued up at SEBI's door to settle an insider trading case relating to a subsidiary, Reliance Petroleum.

Then there is Edelweiss Capital, a merchant banking outfit of the Mumbai-based Edelweiss Group. In early May, the merchant banker ducked allegations of failure to execute due diligence, by just paying SEBI ₹15 lakh.

According to SEBI, Edelweiss Capital had failed to provide correct information, or had given misleading information, or had made inadequate disclosures in the Draft Red Herring Prospectus for prospective investors as merchant banker for public issues. However, how many such instances SEBI unearthed, and what the total amount of IPO proceeds raised through such negligence was, is anybody's guess.

But Upendra Kumar Sinha, who took over as chairman of SEBI in February this year, says that the watchdog's consent orders, when finalised, are announced in the public domain. "And in any case, they are not decided at my level. There are people with delegated authority who pass those orders," says Sinha.

But from an ordinary investor's perspective, transparency, which is what the financial market regulator stands for, is missing. In their current format, consent orders have no detailed information about the violations and their value.

Sinha argues that the regulator cannot prescribe that, for a particular type of offence, the penalty be computed by a particular formula. "That's not possible, because these are quasi-judicial findings where there has to be application of mind," he says.

For the same offences, there are wide variations on the criminal side regarding the final penalty. Sinha says the judge, while applying his mind, decides if there are circumstances that call for the maximum penalty, or those that deserve the minimum penalty. "At SEBI, we have a group of outside experts, headed by a High Court judge, who deal with all the cases," says Sinha. "Also, it is wrong to presume a particular case based only on the monetary settlement." The reason is that in the consent order, the other party, apart from the monetary settlement, agrees not to undertake activities such as trading or raising capital for a certain number of years. "You have to refer to the entirety, not just the monetary part," says Sinha.

Even so, there are loopholes. For example, in the case of Reliance ADA Group, the companies and directors are barred from investing in listed securities in the secondary markets until December 2012 and December 2011, respectively. But nothing stops them from investing in mutual funds, primary markets, buy-backs and open offers.

"If I'm giving you the impression that our system is the best in the world and there is no scope for improvement, that is not my intention," says Sinha. He says he has set up a mechanism to examine how to improve transparency and also make the process faster. "If you compare our final order – which we put in the public domain – with what is done, say, in America, then we need to catch up," he adds. "We're trying to improve that system by giving more recent arguments in our orders."

Alongside the consent order guidelines of 2007, SEBI had highlighted that the US Securities and Exchange Commission settles a sub-

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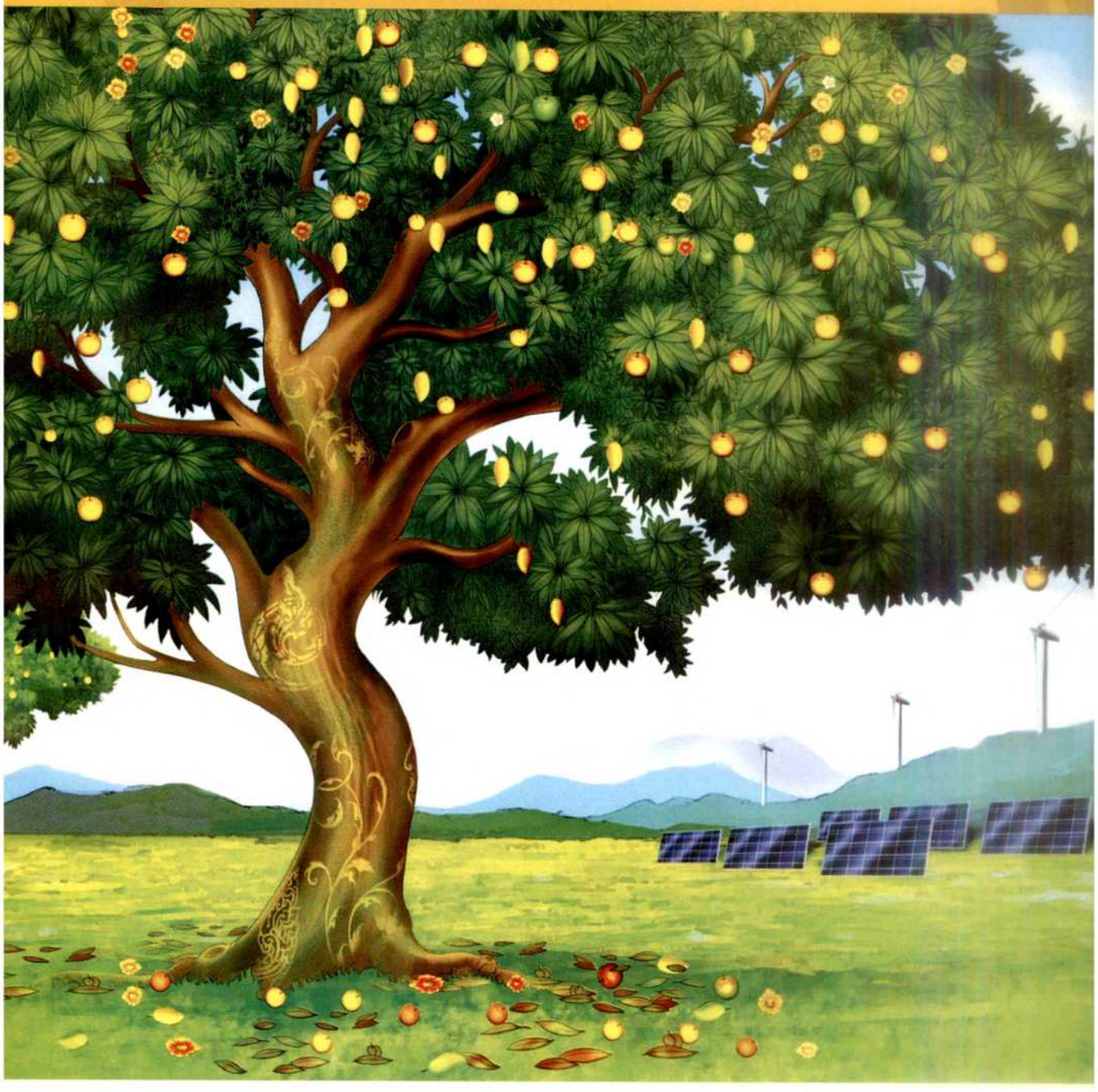

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Interview: Upendra Kumar Sinha, Chairman, SEBI

"We Have Been Fair"

U.K. SINHA, *Chairman of the Securities and Exchange Board of India, faces a host of contentious issues as he settles down in his new job. He discusses some of them with* **PUJA MEHRA** *and* **RAJIV BHUVA.** *Edited excerpts:*

On Sebi 'killing' the IDR market: Foreign institutional investors had probably expected there could be a change in policy. The FII holding in the Standard Chartered IDR rose from 30 per cent on the day of listing to around 75 per cent in March. If you are an FII and want to take a bet on a foreign company, the easiest route is for you to buy that share which is listed in your domain. If you are taking a circuitous route, obviously you have built your position in anticipation of a policy change or clarification, which could have helped you. It has not helped you, so you are unhappy.... India cannot allow a new product and, at the same time, kill it just because some people have to take away some fast money.

On the Bimal Jalan Committee report: Globally, one important yardstick in the financial sector is how you diversify risk and reduce concentration. The fact is that 100 per cent or 99.9 per cent of derivatives trading is on one exchange. But we can't blame them [National Stock Exchange]. Maybe they have done it by being efficient. So we will not introduce competition by taking business away from one exchange and giving it to another. Trading volumes will get dispersed... Not only have we been fair across exchanges... but we have also ensured that everybody is on the same footing.

On the offer a hostile acquirer must make: The SEBI board has not taken a decision on the quantum of an offer required to be made by an acquirer. Consultations have begun in the board and also at the government level. Based on all the different points of view, the board will take a final view at its next meeting.

Full transcript of the interview at
www.businesstoday.in/uksinha

On the non-compete fee in takeovers: On abolishing non-compete fees, there are two views. Why should additional price be given to a promoter by an acquirer over and above the fixed price paid to the ordinary shareholder arrived at after the valuation? But in cases where there is a technical person, an innovator might get into similar competing activity if he is not compensated for the expertise by payment of non-compete fees. That could affect the business of the company after it is acquired. We will take a decision in the next board meeting on these.

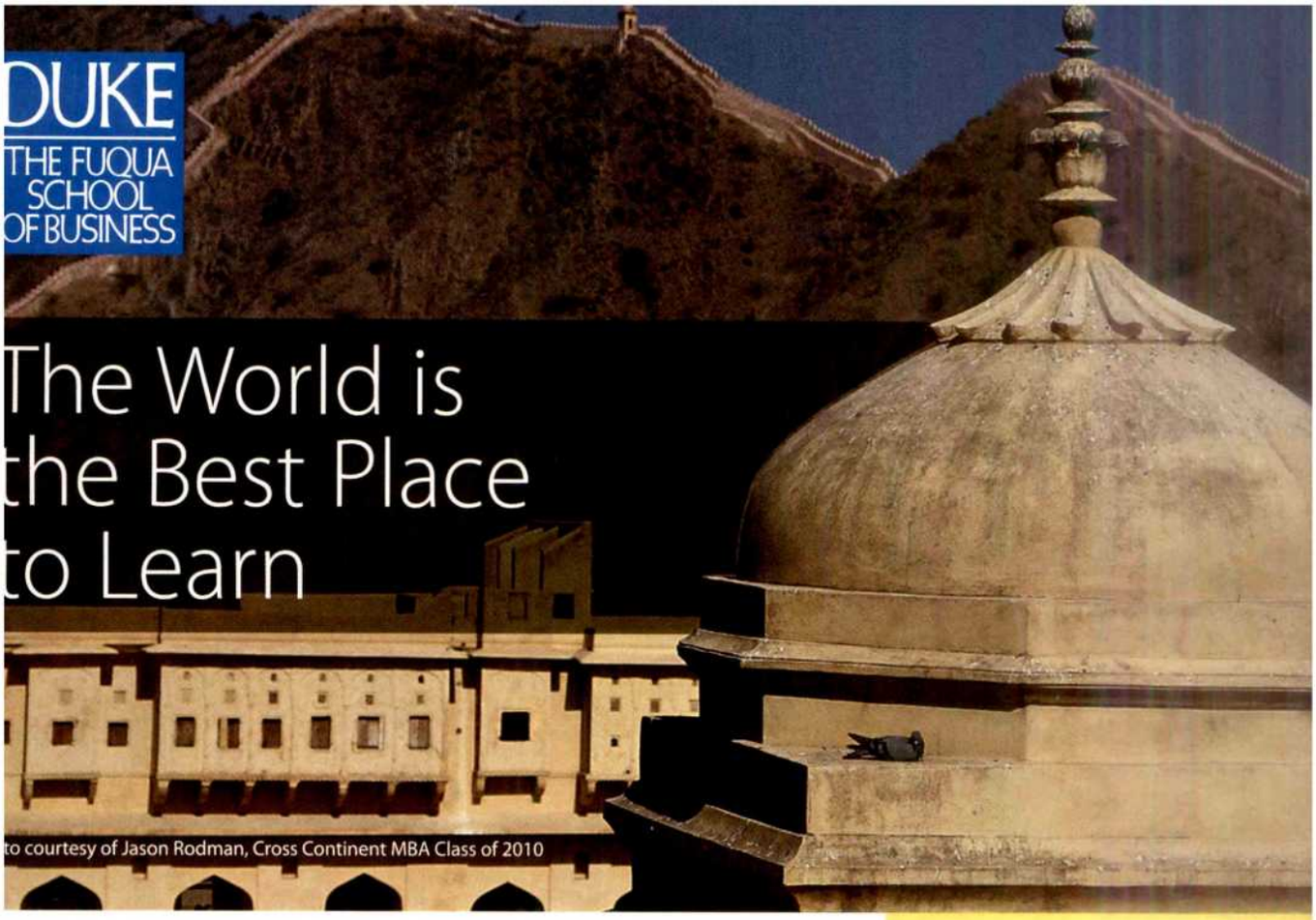
stantial number – over 90 per cent – of administrative/civil cases with consent orders. SEBI had highlighted the pros in the system. Consent orders may provide for flexibility on a wider array of enforcement actions, which would help achieve the twin goals of an appropriate sanction and deterrence without resorting to protracted litigation before SEBI and the securities appellate tribunal or the courts.

Consent orders also reduce regulatory costs and save the time and effort spent on pursuing enforcement actions. This effort could be more effective in pursuing cases that require the full process of enforcement action, and in policy-related work.

Besides consent orders, another approach could be that regulators punish offenders both monetarily and on criminal grounds, says Sinha. "But whether that would be successful from a public-policy point of view...and whether we can do it in all cases, needs to be looked at," he adds. Without commenting on specific orders, Sinha says the monetary settlement is just one aspect, and one should not ignore the restrictions that are included in the order.

Sinha faces a dilemma: SEBI can impose a monetary penalty, but how does it go about recovering it? "You will be surprised to know that the existing laws give us the power to recover it, but the recovery system and process are not in SEBI's hands," he says. "It can take years for SEBI to actually recover that penalty."

Consent orders are relatively new in India, and jurisprudence is evolving. Sinha admits that there is room for improvement in the transparency of consent orders. "There are internal guidelines on where consent can and cannot be done," says Sinha. "But within those guidelines, we also have to weigh alternatives." Filing criminal cases is not the solution, he says, as the legal system takes years to settle such cases. ◆



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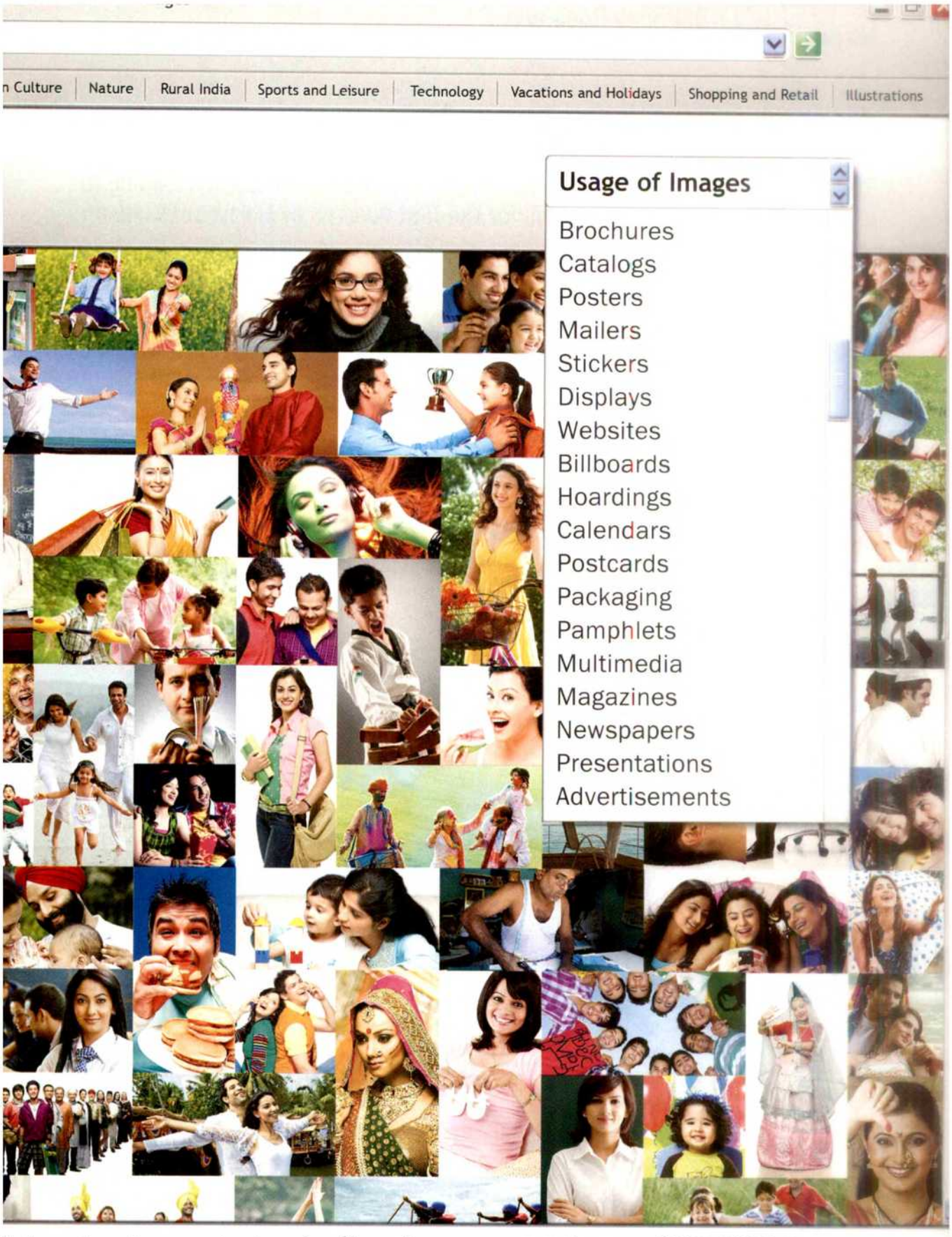

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Pause on Growth?

RBI's tight money policy casts a shadow on corporate profitability, leading to lacklustre advance tax collections for the first quarter. By SANJIV SHANKARAN

The Reserve Bank of India's mid-quarter monetary policy review on June 16 amplifies the threat to the fiscal health of the government. With persistent inflation and lacklustre direct tax collections casting a shadow, there could be a moderation in RBI's growth forecast for 2011/12. The central bank, however, kept its economic growth outlook unchanged at about eight per cent.

RBI increased the repo rate – the rate at which banks borrow from it – by 25 basis points, or bps, to 7.5 per cent (100 bps is equal to one percentage point). This also means a 25 bps hike in the reverse repo rate – the rate at which banks park funds with the RBI – to 6.5 per cent. RBI's guidance on the direction of monetary policy indicated rates could be nudged up a while longer as "inflation risks remain high". May inflation stood at 9.06 per cent, roughly double the central bank's comfort level. While RBI said inflation persisted at uncomfortable levels, that it was spreading to non-food items was a cause for concern.

Experts are worried hardening rates will bite into corporate profitability and impact direct tax collection in coming months. In addition, global crude oil displayed a rising trend in the first fortnight of June threatening to send the Centre's provision for energy subsidy out of control.

The first tranche of quarterly advance tax till June 15 was at least 10 percentage points lower than what the finance ministry would have wanted to offset high refunds this year. Aggregate advance tax collections had not come in at the time of going to print, but collections from the top 100 corporate tax payers in Mumbai grew about 14 per cent more than the year-ago period.

Generally, the Mumbai numbers serve as a trailer to what lies ahead. Tax refunds of ₹37,451 crore in April and May, a growth of 217 per cent, mean the net direct tax collections so far are lower than needed. ◆

FIXING THE ECONOMY

Economists expect RBI to raise interest rates further

	Samiran Chakraborty, Head of Research, Standard Chartered Bank India	N.R. Bhanumurthy, Professor, National Institute of Public Finance and Policy	Ajit Ranade, Chief Economist, The Aditya Birla Group	Ashima Goyal, Professor, Indira Gandhi Institute of Development Research
Biggest risk for the economy	Inflation poses biggest risk to growth right now	Stagnancy or decline in productivity, particularly in farm sector. Low productivity impacting food inflation	Inflation. And it is not about inflation rate per se; the challenge is to bring down inflationary expectations as well	Faltering of investment. If rate hikes impact investment, supply side bottlenecks will be aggravated
Short-term anti-inflationary measures	Monetary policy measures, which include interest rate hikes	Interest rate changes, encouraging organised retail, re-look at futures trading and spot prices in food products	Monetary measures, fiscal measures, exchange rate policy and administrative measures	Nominal rupee appreciation; cut in excise; lowering goods transport costs; competition in food retail
GDP forecast (March 2012)	**8.1%**	**7.8%**	**8.2%**	**8%**
Inflation forecast (March 2012)	**6.5%**	**6.9%**	**7%**	**7%**
Repo rate (%) March 2012	**8%**	**7.75%**	**8%**	**7.75%**

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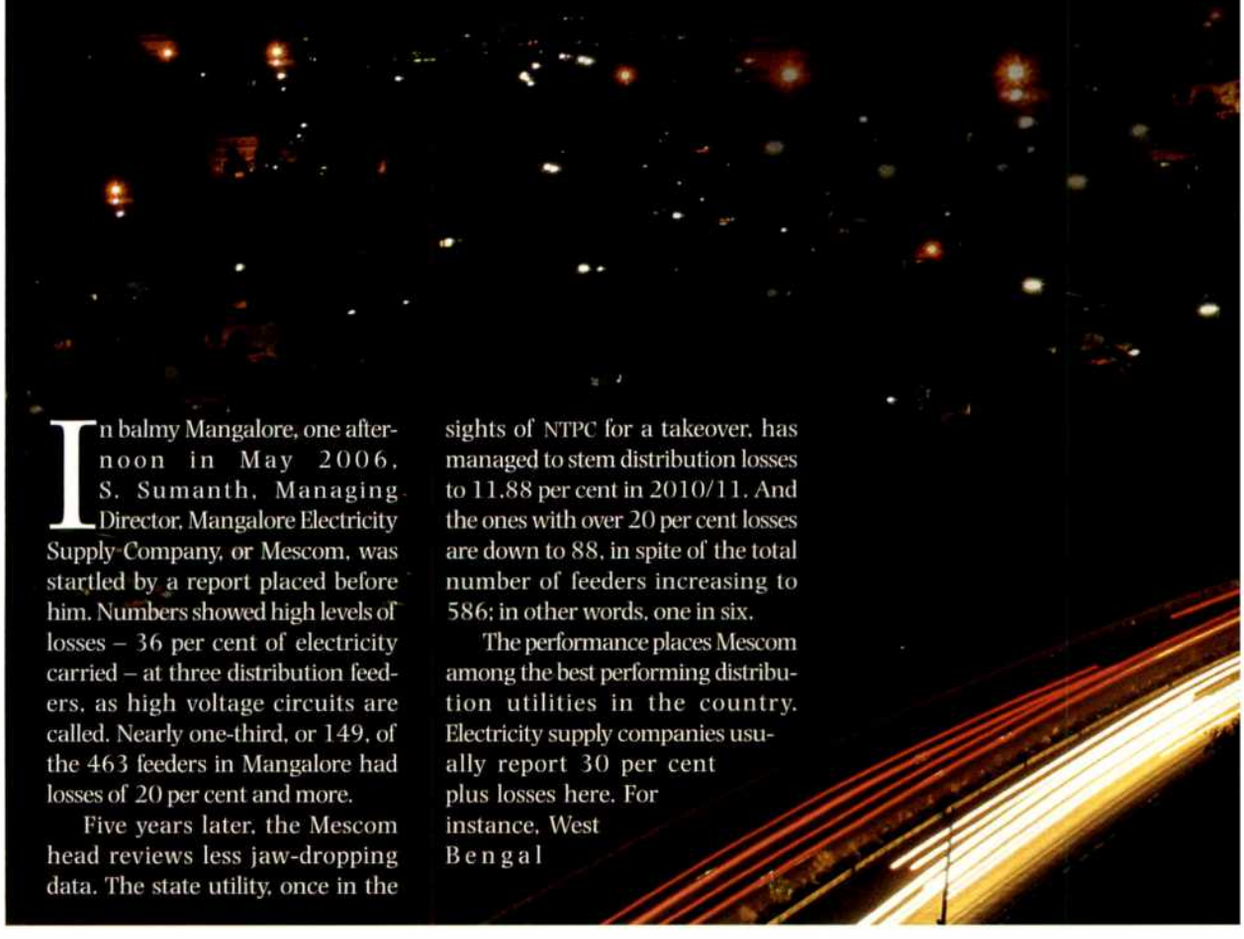
Light on the Horizon

Electricity supply companies in Mangalore, Vadodara and Tirupati stem distribution losses to impressive levels and add muscle to revenues. By K.R. BALASUBRAMANYAM



PHOTOGRAPHS BY DEEPAK G PAWAR/www.indiatodayimages.com

In balmy Mangalore, one afternoon in May 2006, S. Sumanth, Managing Director, Mangalore Electricity Supply Company, or Mescom, was startled by a report placed before him. Numbers showed high levels of losses – 36 per cent of electricity carried – at three distribution feeders, as high voltage circuits are called. Nearly one-third, or 149, of the 463 feeders in Mangalore had losses of 20 per cent and more.

Five years later, the Mescom head reviews less jaw-dropping data. The state utility, once in the sights of NTPC for a takeover, has managed to stem distribution losses to 11.88 per cent in 2010/11. And the ones with over 20 per cent losses are down to 88, in spite of the total number of feeders increasing to 586; in other words, one in six.

The performance places Mescom among the best performing distribution utilities in the country. Electricity supply companies usually report 30 per cent plus losses here. For instance, West Bengal

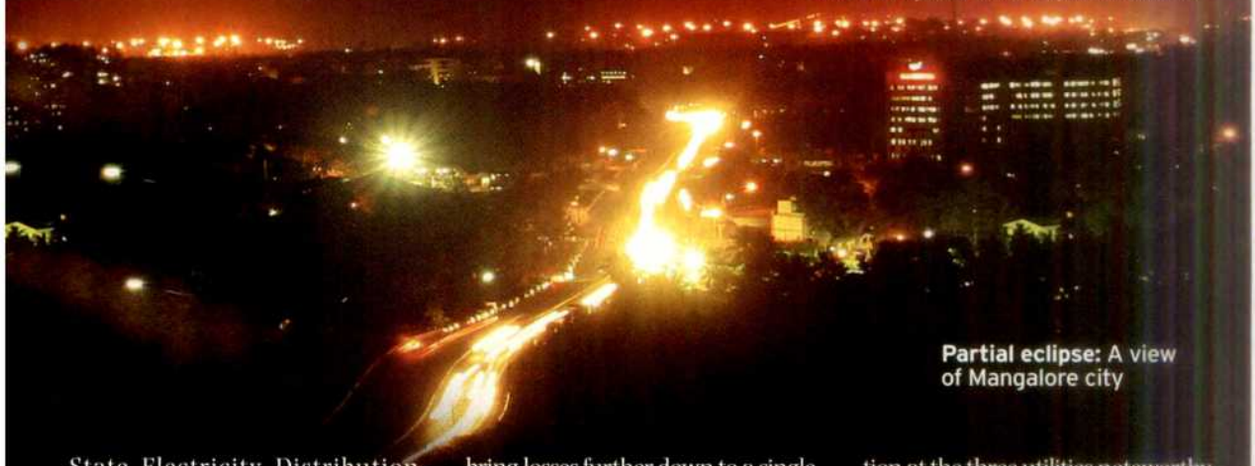
THE POWER SAVERS

	Year	Turnover (₹ in Cr)	Energy) input (in MUs)	Distribution Losses (%)	AT&C (%) Losses (%)	Cost of of Supply (₹/kWh)	Cost of Realisation (₹/kWh)
MANGALORE ELECTRICITY SUPPLY COMPANY	2008-09	1,072	3,138	12.95	15.62	3.84	3.84
	2009-10	1,200	3,274	12.64	15.12	4.11	4.11
	2010-11	1,343	3,600	11.88	11.93	4.99	4.23
MADHYA GUJARAT VIJ COMPANY	2008-09	2,077	7,064	12.98	12.98	4.83	4.84
	2009-10	2,614	7,720	13.08	13.08	4.77	4.79
	2010-11	2,762	8,150	11.61	11.61	5.20	5.28
AP SOUTHERN POWER DISTRIBUTION COMPANY	2008-09	5,302	13,805	13.52	13.35	2.76	2.27
	2009-10	5,769	15,741	12.98	11.36	3.47	2.32
	2010-11	5,336*	16,449	12.75	12.32	3.55	2.46

Source: Companies

*Exclusive of govt. subsidies

Note: 2010-11 figures of all three companies are unaudited



Partial eclipse: A view of Mangalore city

State Electricity Distribution Company ran a distribution loss of 42.2 per cent and a Central Electricity Supply utility of Orissa 38.1 per cent in the July-September period of last year.

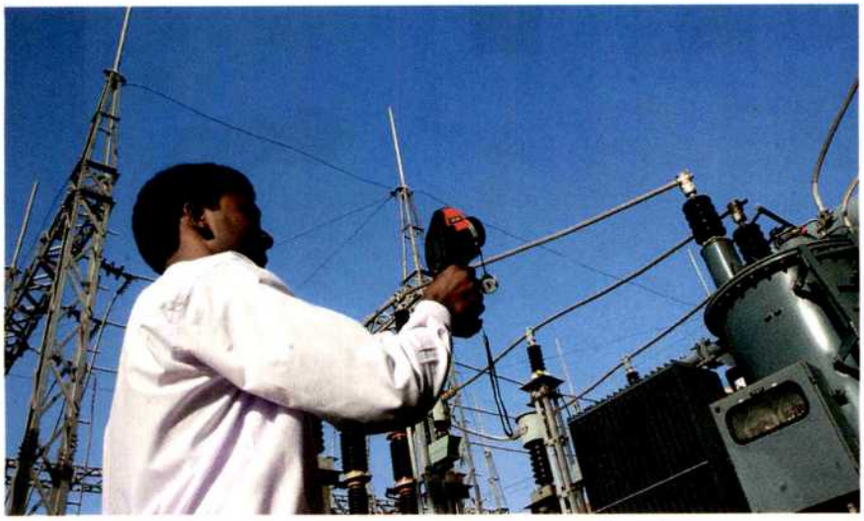
To understand why Sumanth and his peers fuss so much over distribution losses, do the math. For an electricity supply company selling 5,000 million units a year each at ₹5, a percentage point reduction in losses will help it realise ₹25 crore in additional revenues. "I am happy by what our team has achieved. We are now aiming to bring losses further down to a single digit," says Sumanth, who since early June has taken over as Managing Director of Karnataka Vidyuth Kharkane, a state-owned maker of distribution transformers.

A few other distribution companies have reported success like Mescom. Two of them, Vadodara's Madhya Gujarat Vij Company and the Tirupati-based Andhra Pradesh Southern Power Distribution Company closed the year 2010/11 with distribution losses of 11.42 per cent and 12.75 per cent, respectively. What makes the loss reduction at the three utilities noteworthy as well as challenging is that more than half their consumers are rural and scattered over a large are a.

A bane of state electricity boards of yore and distributors in more recent years, electricity supply losses are of two kinds: distribution losses and the so-called aggregate technical and commercial, or AT&C, losses. While the first is largely technical, the latter depends on how well the utility goes about its collections for billed power and how regularly the government releases subsidy on billings for certain categories

of consumers like farmers.

Business Today set out to understand how the three utilities in Karnataka, Gujarat and Andhra Pradesh have managed to keep losses at such enviable levels. "We strengthened our distribution infrastructure both by conventional methods and use of modern devices," says Sumanth. The losses, to simplify electrical engineering principles, increase at lower voltages. So all the utilities set up high-voltage distribution systems where the distance between the feeder and consumption points was large. They also followed other conventional methods like strengthening as well as using appropriate conductors, load re-balancing, and installing tamper-proof meters.



Power loss: A Mescom engineer using a thermal imaging camera to check temperature of the distribution system in Mangalore

In addition, while Madhya Gujarat Vij Company has gone in for automatic power factor controllers in rural areas, Mescom uses large numbers of autoreclosers and sectionalisers in its expansive network. Together, autoreclosers and sectionalisers, made by the likes of ABB and Schneider Electric, isolate the section affected by a fault while saving the rest of the network from supply disruptions. "Mescom is the largest customer for ABB India for feeder automation products which include autoreclosers and sectionalisers," says Pitamber Shivnani, Division Manager, Power Products, ABB India. Haryana and Himachal Pradesh distribution utilities too use these products, he adds. Before such equipment was installed, even a minor fault such as the branch of a tree falling on a cable would result in supply disruptions and result in loss of revenue.

At Madhya Gujarat Vij Company, Managing Director Amrit N. Khatri has set stiff targets. Replacing about 250 km of cable that brought down losses already by 1.47 percentage points (See *The Power Savers*), "Our next goal is to bring technical losses further down to a single digit and five per cent in the city area of Baroda [the old name of Vadodara]," says Khatri, who has been at the helm since September 2010. Not only do on-time payments by government institutions in Gujarat keep its cash registers healthy, the utility even earns a small profit – one paise a unit – given it has a higher share of industrial consumers.

In Andhra Pradesh, the Tirupati distributor has gone largely for conventional methods to cut losses. "We have set up new sub-stations at load centres, and wherever the feeders were overloaded, we have increased the size of conductors," says S. Viswanatham, Director (Operations) at Andhra Pradesh Southern Power Distribution Company.

In contrast to the Mangalore, Vadodara and Tirupati companies, a report by Mumbai brokerage IIFL Institutional Equities notes the average AT&C losses in India are at 28 per cent, and Madhya Pradesh ranks the highest among major states. It earns revenues on just 39 per cent of the energy pumped into its distribution networks. In fact, Minister of State for Power K. C. Venugopal recently offered to arrange a knowledge-sharing interaction with experts from South Korea, which has four per cent AT&C losses. In other developed countries, distribution losses stand between four and eight per cent.

Indian electricity distributors, evidently, have a long way to go. Most of the 90-odd state power transmission and distribution utilities are chronically sick. Private participation could be one fix. Cities such as Ahmedabad, Delhi, Kolkata and Mumbai, for instance, have electricity distribution run by Torrent, Reliance Energy, CESC and Tata Power. Privatisation of loss-making utilities make take a while coming but there are towns such as Bhiwandi in Maharashtra and Agra in Uttar Pradesh where electricity supply companies have engaged private franchises with distribution and collection responsibilities. "More and more towns will go to franchises during the 12th Plan period (2012 to 2017) and the process of privatisation of distribution circles will begin during the 13th Plan period," predicts Rakesh Kumar Goyal, Director, Tetra Tech, a consultancy firm.

With the threat of privatisation looming and state governments getting more thrifty with underwriting losses at electricity distributors, the latter have little option but to go by the new-age reality: every unit saved is worth two generated. ◆

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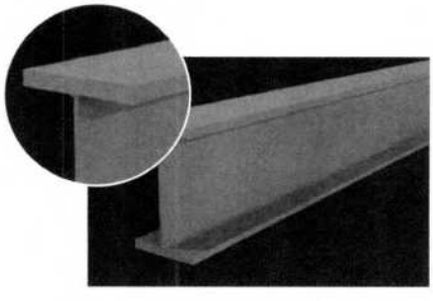

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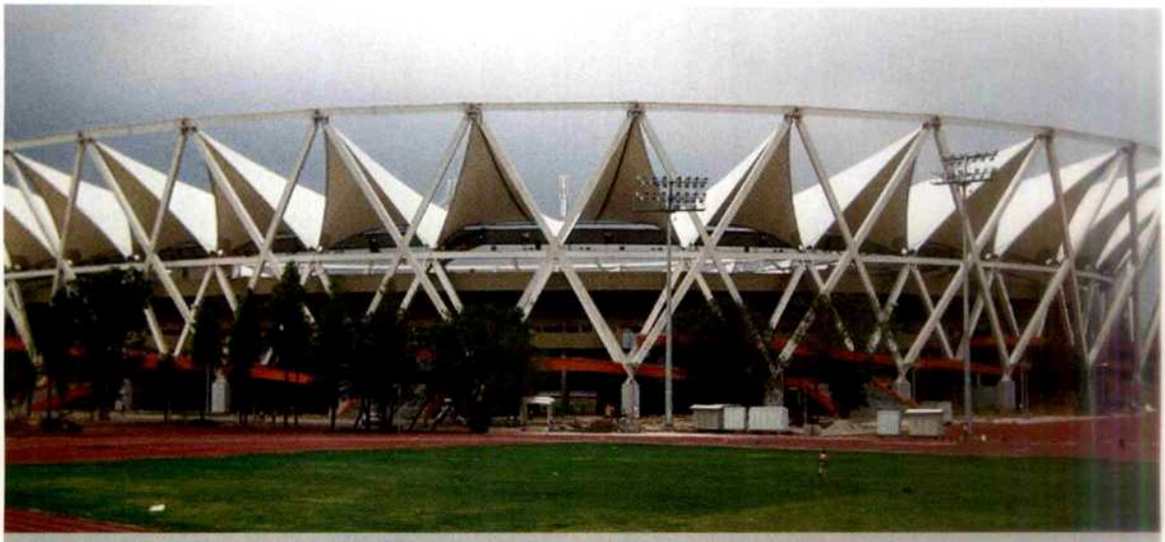

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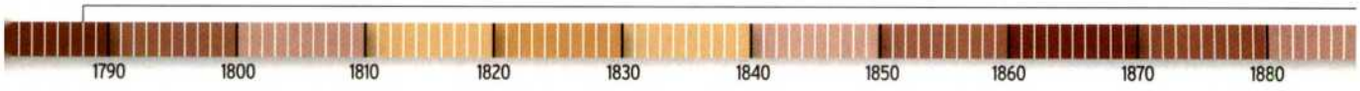
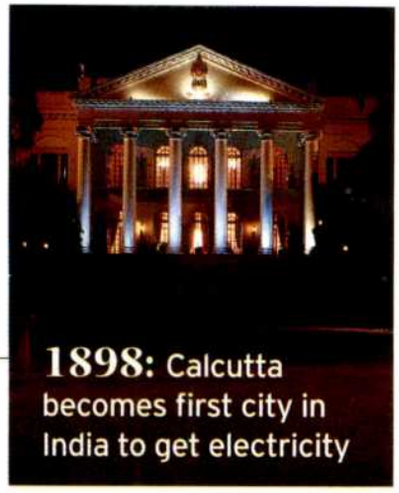
100 YEARS YOUNG



Two World Wars, the Great Depression, India's independence struggle, the Hindu rate of growth, the licence-permit raj, controls on foreign exchange and expansion, and the reforms of the 1990s: a handful of Indian companies have seen it all, and adapted along the way to do well. India has around three dozen century-old companies that are listed and still actively traded. Of these we have selected a dozen that have done especially well at responding to change. "Response to change is the first condition for survival in business," says Dwijendra Tripathi, a former IIM professor who authored *The Oxford History of Indian Business*. A hundred years is a long period. Dive into the exciting journey of these intrepid survivors.

1788: Breen & Co founded; to become Jessop in 1820

1838: The Times of India launched



1898: Calcutta becomes first city in India to get electricity

1902: Shalimar Paints sets up first paint factory in SE Asia

1910: Advent of electricity helps Britannia biscuits mechanise operations

1911: Shift of India's capital to Delhi announced; ITC gets stalls to advertise at Durbar

1926: Kirloskar makes first diesel engine in India

1929: TVS bags General Motors' dealership

1940: For the first time, The Times of India publishes news items on page 1

1953: Bengal Chamber of Commerce completes a 100 years

1969: Managing Agency system abolished

1975: ITC makes first diversification, into hotels

1988: Jessop celebrates 200 years of existence

2007: Tata Steel acquires Corus

1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000

1919: Birlas defy Yule and other Scots to get into jute manufacture, WWI fuels boom

1945: Britannia sales surge, fuelled by contract to supply biscuits to Allied troops

1958: Godrej & Boyce makes the first Indian refrigerator, in collaboration with GE

1998: Burman family hands over Dabur management to professionals

1902: Tatas open first hotel, Taj Mahal Palace

1931: CESC builds tunnel under river Hoogly

1951: R.D. Birla acquires control of Century Textiles

ACKNOWLEDGMENT

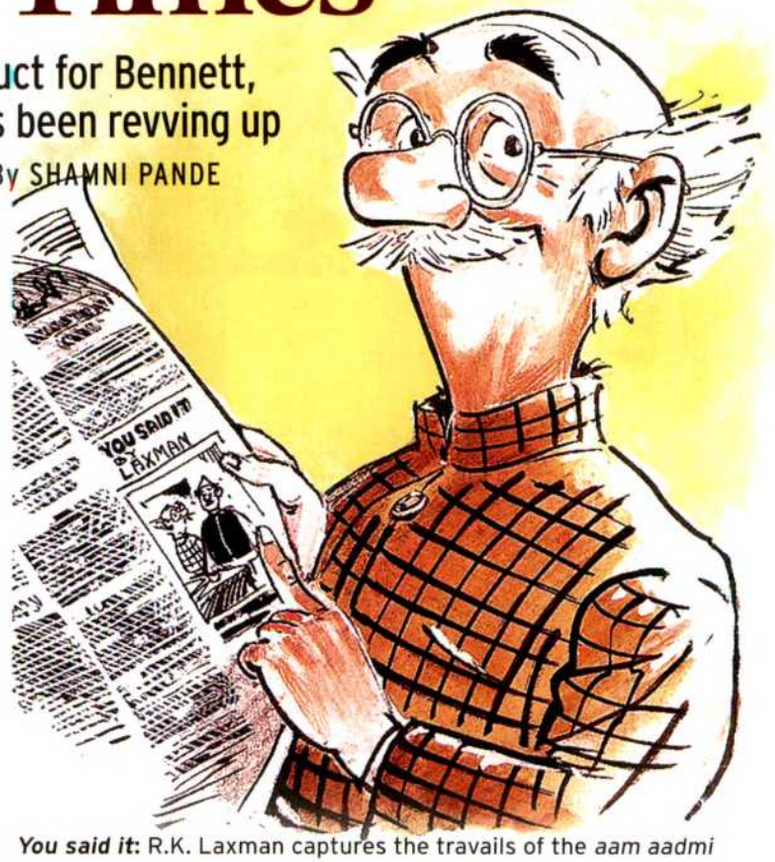
We thank and acknowledge the following for access to their records and permission to use images from their archives and publications: Allahabad Bank; Andrew Yule; Bank of Baroda; Britannia; Bennett, Coleman & Co; CESC, Century Textiles; Dabur; Godrej Archives; Indian Hotels; ITC; Jessop; Kirloskar; Saregama; Shalimar Paints; Tata Steel; TVS & Sons; The Statesman.

Just in Times

History is only a by-product for Bennett, Coleman & Co., which has been revving up over the past 20 years. By SHAMNI PANDE

For Vineet Jain, a 173-year history is just that – the past. Bennett, Coleman & Company Ltd, like any business which is that old, should be a treasure trove for anecdote bounty hunters. The Managing Director of BCCL, the publisher of newspapers such as *The Times of India* and *The Economic Times*, is focused on the present. "Sure you can trace us back, but I am more concerned about what people want today."

That is the cue for this correspondent to quickly sift through the chronology. The ₹5,500-crore empire that BCCL is today started as the twice-a-week *The Bombay Times and Journal of Commerce*, owned by a set of 11



***You said it*:** R.K. Laxman captures the travails of the *aam aadmi*

1838: *The Bombay Times and Journal of Commerce* starts as a bi-weekly newspaper and becomes a daily 12 years later

1890: After a few mergers and name changes, *The Times of India* is born, and is bought by Henry Curwen in partnership with Charles Kane

1892: After Curwen's death, **T.J. Bennett** becomes editor. The Bennett, Coleman and Co. Ltd, or BCCL, is formed

1907: In the first of its price wars, *The Times of India* cuts price from four *annas* to one *anna*. Its circulation rises five times

1830 1840 1850 1860 1870 1880 1890 1900 1910 1920

HISTORY LESSON

1838 DuPont unveils a new synthetic yarn and calls it nylon. The earliest use of nylon is in replacing animal bristles in toothbrushes

British firms, two barristers and a doctor, and aimed at the business community in Bombay. Information made for a buzzing industry those days in India's trading capital and the paper went through two buyouts, two amalgamations (the second resulted in *The Times of India* in 1861), and one restructuring in about 50 years.

By 1902, with a strong national character embedded in *The Times of India*, BCCL – the name was taken 10 years earlier – moved into an office at Bori Bunder, opposite what is today the busy Chhatrapati Shivaji Terminus. The company's history records this as its third office after starting off at Parsi Bazaar, a busy street in the Fort area, and a Churchgate building that the company decided to move from after the ceiling fan collapsed in partner and editor T.J. Bennett's office.

The Jain family came into the ownership of BCCL long years later in 1948 when Sahu Shanti Prasad Jain, current managing director Vineet's grandfather, bought the firm from his father-in-law Ramakrishna Dalmia, who had paid ₹2 crore two years before to buy out BCCL's owners. The paper was distinctly nationalistic those days, reflecting the euphoria after India's independence.

It was not until 1987 that BCCL, a sleepy company like most Indian media businesses of the time, was shaken up: when Samir Jain, Vineet's elder brother by 11 years, took charge as Vice Chairman; their mother Indu Jain chairs the company. Samir took a leaf out of the consumer goods business – "a newspaper should be sold like a bar of soap" – brought smarts into marketing *TOI*, as *The Times of India* is popularly called, never before seen on the Indian print media landscape. But his invitation price of ₹1.50 daily (most papers sold at twice that), which punched rivals where it hurt in 1992, can be traced back in BCCL history books. In 1907, just after the newspaper decided to extend news deadlines to midnight from 5 pm earlier, the management cut the newspaper's price to one *anna* from four *annas* (16 *annas* made a rupee). Circulation rose five times. Samir's decision in 1992 resulted in home subscriptions jumping five-fold, too.

Other tactics, which rivals sourly call guerilla ambushes, were discount coupons for classifieds, realigning space selling departments to

1934: Seth Ramkrishna Dalmia buys out BCCL for ₹2 crore; sells it to son-in-law Sahu Shanti Prasad Jain two years later

1940: For the first time, TOI publishes news items on its front page

THE ECONOMIC TIMES

1961: *The Economic Times* is launched

1987: Samir Jain takes charge as Vice Chairman of BCCL

2004: Launches Times Private Treaties, an equity initiative for ad inventory. Enters TV business with lifestyle and entertainment channel

2006: Launches TV news channel Times NOW; follows with business channel ET NOW in 2009

2010: Launches ET Wealth; Movies NOW, India's first HD-only premium movie channel; re-launches the *Sunday ET* as a tabloid

1930 1940 1950 1960 1970 1980 1990 2000 2010

sharply focus on advertiser interests, "combo offers" both for advertisers and newspaper buyers, and product sampling. In expanding its reach, BCCL has been panned by the intelligentsia on two decisions: "dumbing down" the content of its flagship newspapers to reach to a wider audience and violating Chinese walls between advertising and editorial.

Medianet, a vehicle that offered advertising-like rate cards for editorial content in lifestyle supplements of *TOI*, and Private Treaties that bartered advertising space in return for equity in client companies (typically, start-ups or mid-cap firms) came in for a good deal of flak. "Almost all publications indulge in it," says Vineet about the Medianet deals. "We were upfront about it, and this is reserved for lifestyle. At no point is our editorial judgment swayed."

Admire it, or hate it, BCCL has made itself virtually invincible. "You have to hand it to them for thinking, behaving and acting like leaders in every sphere," says Nitin Jain, former director, Times Group, whose mandate was also to drive Medianet as head of the group's division called Optimal Media Solutions. "Call them bullies, perpetrators of monopoly, shrewd manipulators... whatever, but fact is that everyone follows standards set by them in print." Nitin, not related to the Jains of BCCL, today runs Domor Communication, a consulting outfit.

Its ability to set prices for advertisers comes from its dominance in virtually every product it runs. *The Economic Times* newspaper, for instance, brings in revenues of over ₹ 500 crore for BCCL. In comparison, *Mint* – ranked No. 2 by audited readership among financial dailies and part of rival HT Media, the publisher of *Hindustan Times* – makes under ₹80 crore.

Yes, Prime Ministers: Nehru peers at *The Times of India* with Indira Gandhi at his side (above) and (top) Rajiv Gandhi commemorates its 150 years

And that is just the print play. BCCL, as a group, has been an early mover online and in radio too. A late entry in television has seen it miss out on opportunities that others have captured in general entertainment, but it has clawed its way into electronic media with its channels Times NOW and, more recently, ET NOW and Movies NOW.

So what could be a worry for the company in the coming quarters? The immediate future could be challenging for BCCL, which is setting a target of doubling its revenues in about four years, according to Ravi Dhariwal, CEO, Times Group. It is early days yet, but the English newspaper market will saturate, especially in big Indian cities. The growth will come from smaller cities as advertisers look for a media vehicle to reach consumers there, but running smaller print-runs is a less-profitable proposition. The group is yet to fully take on the might of *Dainik Jagran* and *Dainik Bhaskar* in the vernacular media market.

Still, some like Rajesh Sawhney, President, Reliance Entertainment, believe the alarm bells are not going off yet. "But if they need to remain uncontested, then at least 50 per cent of their revenue has to come from non-print areas," he says, up from the current one-quarter. Sawhney was earlier the chief operating officer of Times Internet.

Vineet, 45, who has been driving BCCL's online business, has some answers. "I keep telling my people that you may be earning your revenues from print, but it is actually the digital space that you are here for, it will be your salvation," he says. A global footprint, while attractive given how media businesses are bleeding globally, is not a worthwhile pursuit yet for the group. "We have to focus here, where there is demand. We can always scale up later and consider inorganic options such as acquisition if there is a need," he says. ◆

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Not by Bread Alone

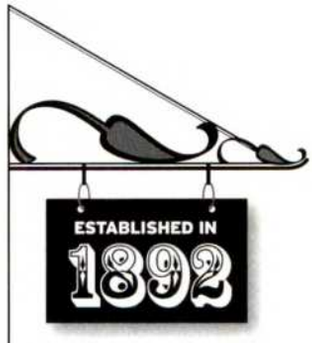
Britannia has risen from a ₹295 start-up to a ₹4,000-crore leader in its industry. By K.R. BALASUBRAMANYAM

During World War II, the government of British India needed a supply of specially made biscuits for its soldiers. The Britannia Biscuit Company rose to the challenge. The deal ran into several years, and the company sometimes devoted 95 per cent of its capacity to produce biscuits for the armed forces.

Today, the biscuit maker, rechristened Britannia Industries in 1979, partners with the United Nations World Food Programme, supplying biscuits worldwide, especially during emergencies. Many are customised to fulfil specific nutrient requirements.

Britannia, today a leading player in the ₹12,400-crore biscuits market, started out in 1892 as a tiny operation in a modest house in Calcutta (now Kolkata), with an initial investment of ₹295. Five years later, it was acquired by two brothers about whom little information is available besides their name: Gupta. The Guptas moved operations to Dum Dum, continuing them under the name V.S. Brothers.

The company was incorporated as the Britannia Biscuit Company in 1918, after English businessman C.H. Holmes teamed up with the Guptas. It became the first biscuit maker in India to mechanise production, and the first one east of the Suez Canal to use gas ovens, which it imported in 1921.



1892: A biscuit-making operation begins in a small house in Calcutta with an investment of ₹295

1897: The business is acquired by Gupta brothers

1918: Englishman C.H. Holmes partners with Gupta brothers, and Britannia is incorporated

1921: Britannia becomes the first company east of the Suez to use gas ovens

1939-45: Britannia supplies biscuits to soldiers during World War II

1983: Sales cross ₹100 crore

1993: Nusli Wadia (pic, left) of Bombay Dyeing takes control from Britannia Chairman Rajan Pillai, with the help of French food giant Danone

2009: Wadia buys out Danone and emerges the largest shareholder

In 1924, Britannia became a subsidiary of Peek, Frean & Co., a leading British biscuit maker. It was a public issue in 1978 that firmly established the company as Indian, as its Indian shareholding crossed 60 per cent.

The company went through its most acrimonious phase in the mid-1990s. A saga with many twists played out, ending with Nusli Wadia, owner of the Bombay Dyeing empire, teaming up with French food giant Danone, to wrest control from the Britannia chairman, the late Rajan Pillai. The relationship between Wadia and Danone remained uneasy. For instance, the Wadia Group claimed in 2007 that Danone had registered the Tiger brand in other countries without its consent. Wadia also stalled Danone's attempt to set up an independent business venture in India. The French company exited two years ago, after selling its holding to Wadia.

Britannia, whose product range spans biscuits, bread, dairy, cakes, and cereals, earned revenues of ₹4,213 crore and a profit of ₹145 crore in the last financial year. Managing director Vinita Bali told analysts in February that "the opportunity is large, and Britannia is well-positioned to exploit it". ◆

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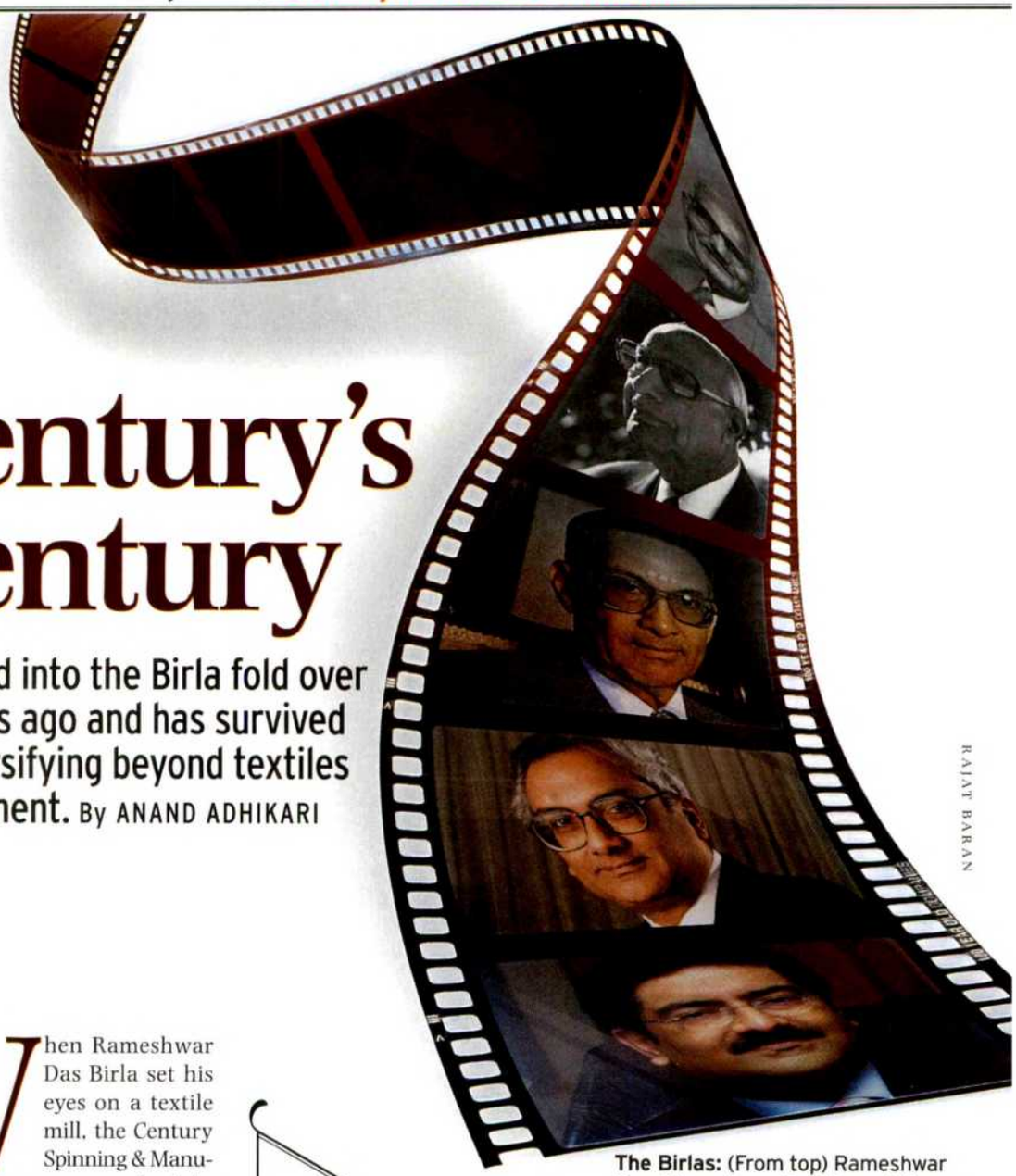
Century's Century

It moved into the Birla fold over 60 years ago and has survived by diversifying beyond textiles into cement. By ANAND ADHIKARI



RAJAT BARAN

The Birlas: (From top) Rameshwar Das, Ghanshyam Das, Basant Kumar, Aditya Vikram and Kumar Mangalam

When Rameshwar Das Birla set his eyes on a textile mill, the Century Spinning & Manufacturing Company way back in 1945, he may have had no idea what a moneyspinner it would turn out to be. The Birla Group founder, who cherry-picked companies on the market, started stockpiling its shares. Century had been founded by Nowrosjee N. Wadia – a leading businessman of his time and the great grandfather of Bombay Dyeing's Nusli Wadia – following the great demand for cotton after the American civil war.

Nowrosjee set up a single manufacturing unit to process cotton in 1897. Three decades later, the company was taken over by a rival busi-

nessman, Chunilal Mehta. Mehta was the owner of Century when R.D. Birla spotted it as a 'value pick'.

Over the next five years, R.D. Birla, who also traded in jute and other commodities, slowly bought a sufficient number of shares to wrest management control. By 1951, he was Chairman of the company, and invited his brother Ghanshyam Das Birla to help him run it. He also persuaded Basant Kumar Birla – the youngest son of G.D. Birla – to get involved. Century Textiles has been in the Birla fold since and B.K. Birla – referred to as "Babu" by all – still remains, at 90, its Chairman.

Over the decades, Century Textiles & Industries — as it is now known, the name having been changed in the 1980s – has moved well beyond textiles, transforming itself into a diversified conglomerate with interests in rayon, cement and paper. It is also among the very few textile companies to have survived for over 100 years. Its annual turnover of ₹5 lakh in 1899, rose to ₹7 crore by 1951 and today stands at nearly ₹5,000 crore.

HISTORY LESSON

1897 The first wireless communication is recorded as Guglielmo Marconi experiments with a signal across the open sea from England to Wales

Rajan Wadhawan, Executive Director at PricewaterhouseCoopers, says the backing of a large group like the Birlas enabled Century to survive the many upheavals in the textile business. "It is today a conglomerate by itself," says Wadhawan.

But the old-fashioned way of doing business has not changed at Century. Step into its headquarters, Century Bhawan in Worli, south-central Mumbai, and you still find the enclosed wooden cabins of a bygone era for the senior staff. Most of the employees seem to be aged, and though computers are visible, paper and cardboard files dominate the office landscape. "We don't entertain the media," a senior official says, even as he helps to piece together Century's history. Adjoining the corporate headquarters, a gleaming multi-storied commercial highrise bearing the name "Century International" is nearing completion. Not long ago, the spot was occupied by a textile mill, which shut down. The official, speaking on condition of anonymity, says the reason for Century's longevity is the quality of its corporate governance. "We never step on the wrong side of the law," he says.

Century Textiles has had many ups and downs. If some forays have succeeded, others have not. Early on, G.D. Birla realised that the company's prospects were totally dependent on cotton production, and thus were subject to the vagaries of fluctuating cotton prices. In the 1950s itself he sowed the seeds for diversification. Century first moved into man-made fibres, setting up a rayon division at Kalyan, 35 km east of Mumbai, in 1956. The unit proved a success and currently contributes almost 20 per

1945: R.D. Birla starts buying Century's shares on the market, wrests complete control in 1951

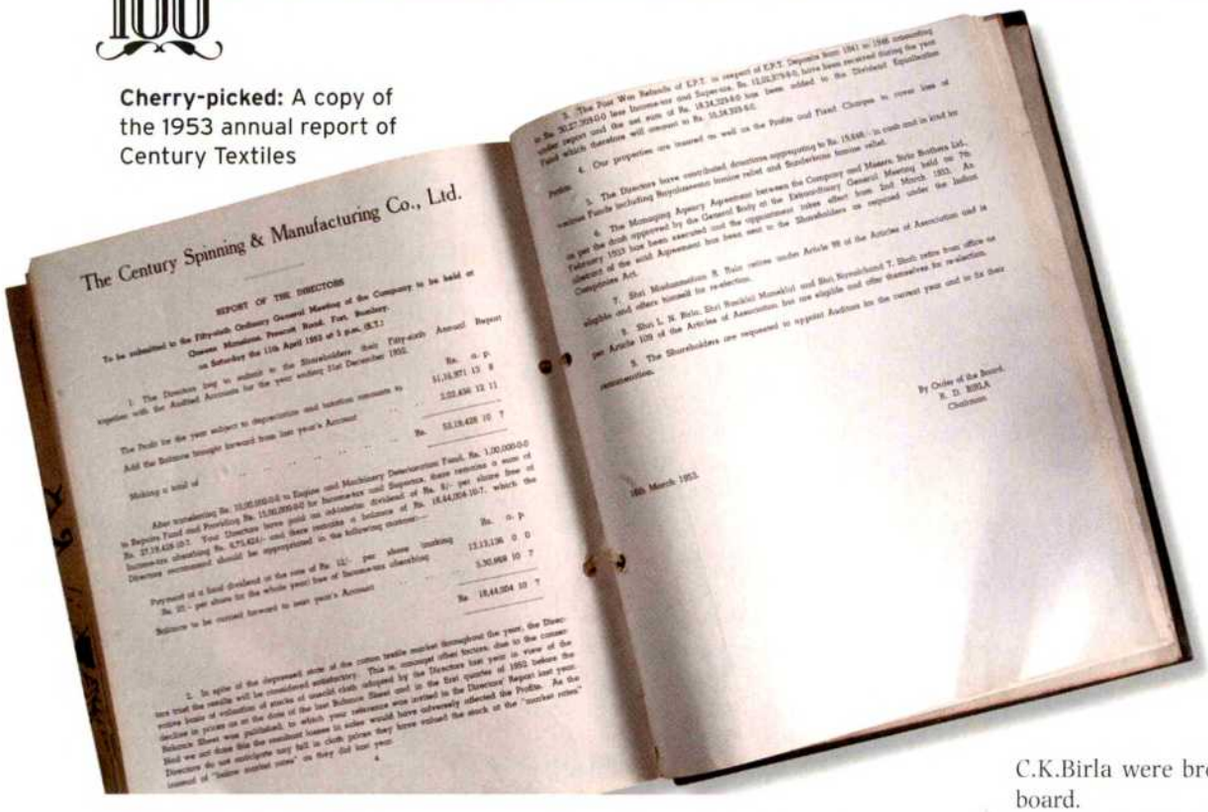
1973: Diversifies into cement (Maihar plant, right), which contributes 40% to revenues today

1988: Diversifies into shipping, but exits it completely by 2005

1993: Enters paper business

2002: Forays into the branded ready-to-wear segment

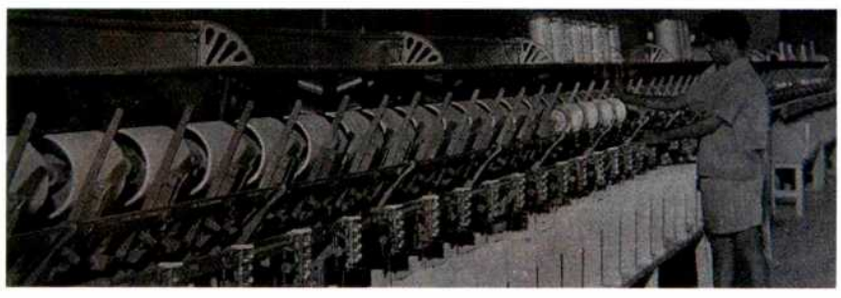
1940 1950 1960 1970 1980 1990 2000 2010



The Century Spinning & Manufacturing Co., Ltd.

REPORT OF THE DIRECTORS

Cherry-picked: A copy of the 1953 annual report of Century Textiles



Stronger than steel: Tyre cord plant of Century Rayon at Kalyan

cent to company's turnover. Another crucial shift took place in the 1970s, when Century set up its first cement plant at Baikunth, Madhya Pradesh. Cement today contributes the highest – almost 40 per cent – to its total turnover.

By then B.K. Birla was also giving the final touches to the company's diversification into shipping and paper. The shipping division began operations in 1982, and two years later, Century set up a pulp and paper unit at Lalkua, Uttarakhand. But these could not replicate the earlier successes. Market grapevine has it the Birlas are now planning to exit the paper industry. "Paper requires high capital, gives low returns and there are issues like cheap imports and environmental concerns," says Pankaj Namdharani, Vice President at securities broking firm, SPA Securities. Century had earlier got out of shipping in 2005. It was contributing just five per cent to Century's revenues.

After patriarch G.D. Birla's death in 1983, the responsibility of managing Century fell on B.K. Birla's shoulders. Since his son Aditya Vikram Birla – who died young in 1995 – was busy expanding his empire with flagship Grasim, Hindalco and Indo Gulf Fertilizers, B.K.'s brother S.K.Birla and nephew C.K.Birla were brought on board.

The company has always been very conservative about using public money to fund its ventures. It has not raised any money from public or existing shareholders, barring one solitary effort in the mid-1990s when it mobilised over ₹300 crore from a global depositary receipt issue.

Century's financial backbone comes from following the *purta* system, a home grown accounting system of cost control that G.D. Birla, an austere Gandhian, developed in the 1920s. Over the decades, the Birlas have perfected *purta* – which can be translated roughly as "what returns am I getting" – to suit their needs.

Century is now bracing for business in the 21st century. Kumar Mangalam Birla, 43, came on board in 2006 as a non-executive director. He is most likely to take over the reins once his grandfather B.K. Birla hangs up his boots.

And with the backing of the $30 billion Aditya Birla Group, Century Textiles & Industries appears in the clear to score a double ton as well. ◆

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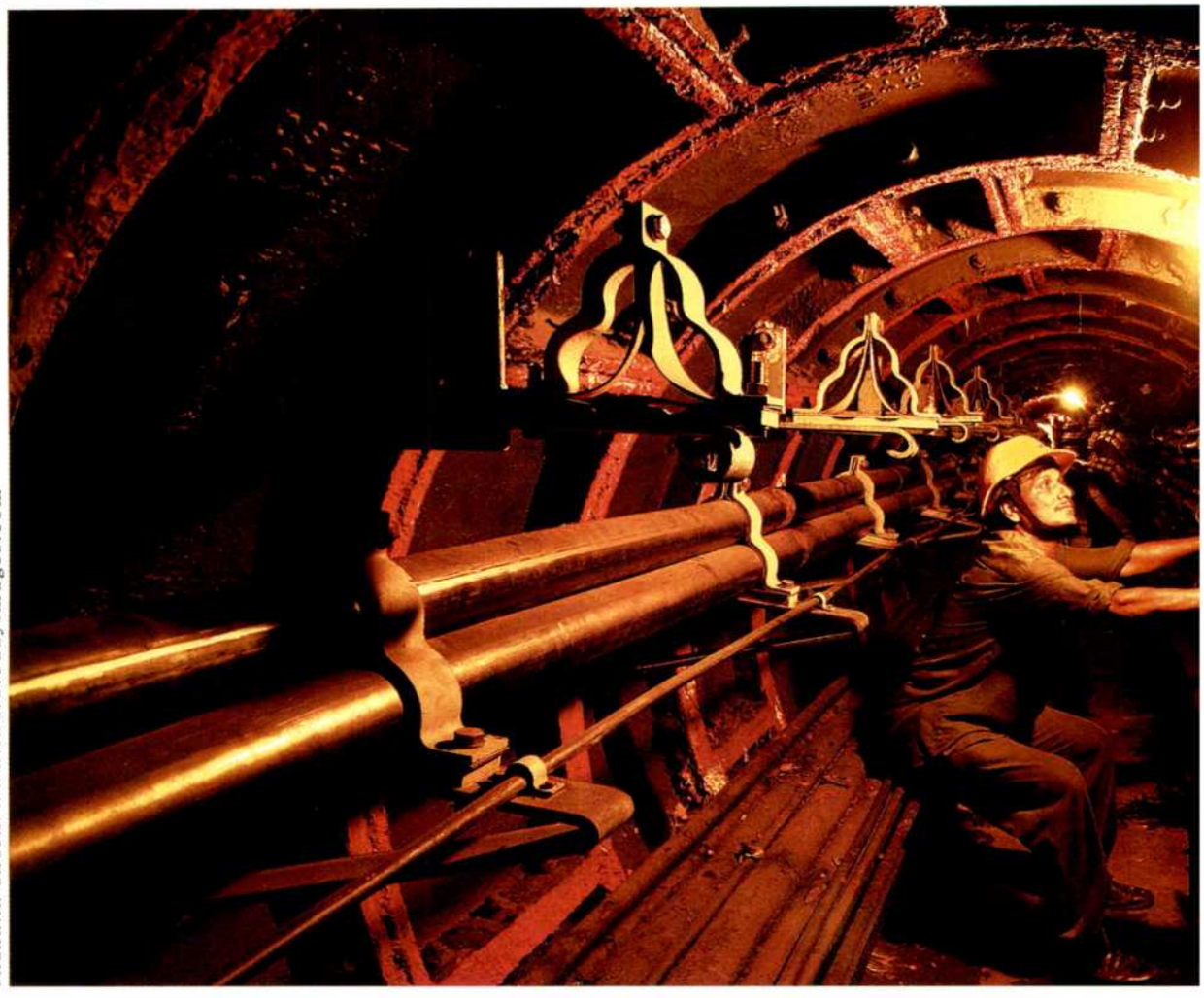


SHEKHAR GHOSH/www.indiatodayimages.com

Power to the People

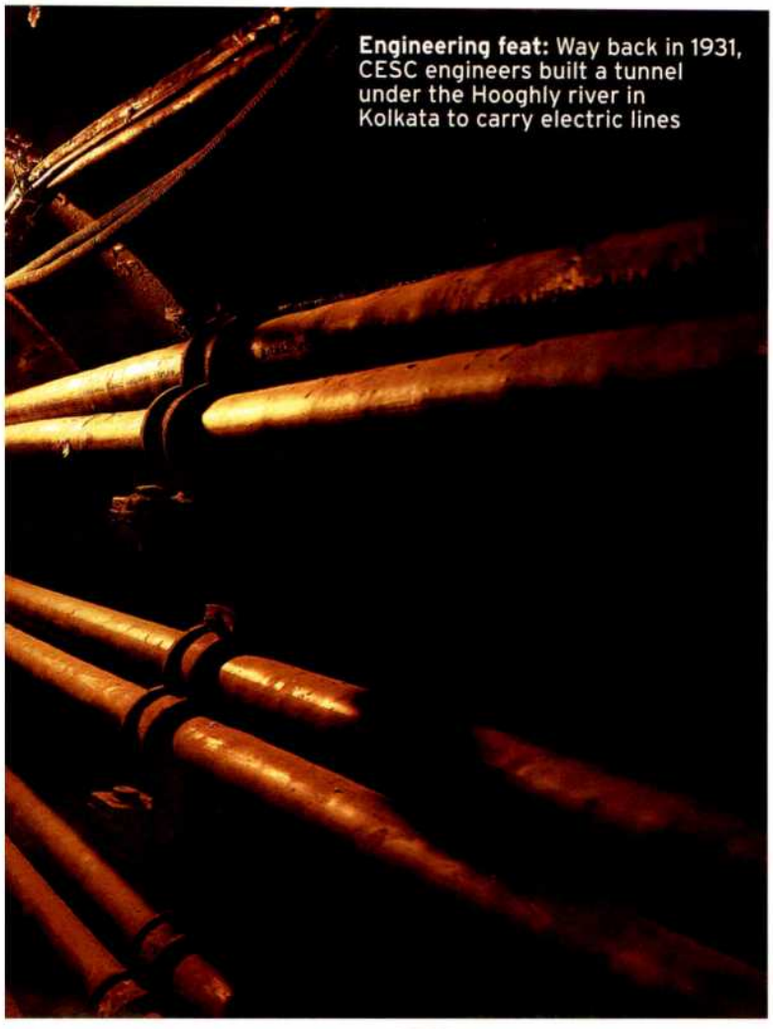
A pioneer in bringing electricity to India, CESC is now once more among the country's most efficient utilities. By SOMNATH DASGUPTA

The correspondent complains of having to pay for "full power, and apparently getting about half" of it. This is tantamount to shelling out "a first class price for a second class article", he adds. Such a letter appearing in a newspaper would be perfectly appropriate even today, in most parts of the country. But in fact it was written on April 23, 1903, and appeared in a Calcutta daily.

The offender? The Calcutta Electricity Supply Corporation, now called simply CESC, then a listed London company owned by a host of shareholders, and now part of the ₹17,000 crore ($3.77 billion) RPG conglomerate.

The Indian Electric Co. was registered in London in January 1897 with a capital of £1,000, to provide power to Calcutta. A month later, it changed its name to The Calcutta Electric Supply Corporation. When it began, its total capacity consisted of three boilers of 500 horse power each.

Electricity proved an instant hit, transforming the lives of the city's residents. The Europeans could now enjoy ballroom dancing under electric fans; hand-pulled *punkhas* went out of fashion; tramcars unhitched themselves from horses; eight and 25



Engineering feat: Way back in 1931, CESC engineers built a tunnel under the Hooghly river in Kolkata to carry electric lines

ESTABLISHED IN 1899

1897: London registered company, The Indian Electric Co., gets a licence for Calcutta through its agent, Kilburn & Co. A month later, the company changes its name to Calcutta Electric Supply Corporation
(Photo below) An advertisement of electric table fans, which were in huge demand

1898: CESC begins supplying electricity on a trial basis to the Bank of Bengal (later to become SBI), the Bengal Club and several private residences

1899: First generating station starts, marks the beginning of thermal power generation in India

1931: Tunnel built under the Hooghly river to carry power to the other bank. Still functional

1978: CESC becomes a rupee company with a new name: Calcutta Electric Supply Corporation (India)

1997: First unit of 3x250 MW Budge Budge power plant synchronised

HISTORY LESSON

1899 Lord Curzon appointed Viceroy of India. He gets a second term in 1904, but quits within a year following the controversy over the 1905 partition of Bengal

watt electric bulbs became hot selling items, as did – in subsequent years as they were invented – electric irons, refrigerators, lifts.

From 6,000 consumers in 1912, the year the capital shifted to Delhi, CESC today has over 2.4 million of them in its licensed area of 567 sq km covering Kolkata and some adjoining areas. Its combined capacity is now 1,225 megawatts, or MW. Its activities have spread well beyond Kolkata, with one subsidiary setting up a 600 MW plant at the port town of Haldia in West Bengal, another working on a 2,000 MW project in Bhagalpur, Bihar, and a third building a 600 MW at Chandrapur, Maharashtra.

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Collector's item: A share certificate issued when listed company CESC was set up in 1897

Fanning a revolution: A 1940 advertisement, extolling 'Electricity, the modern wizard'

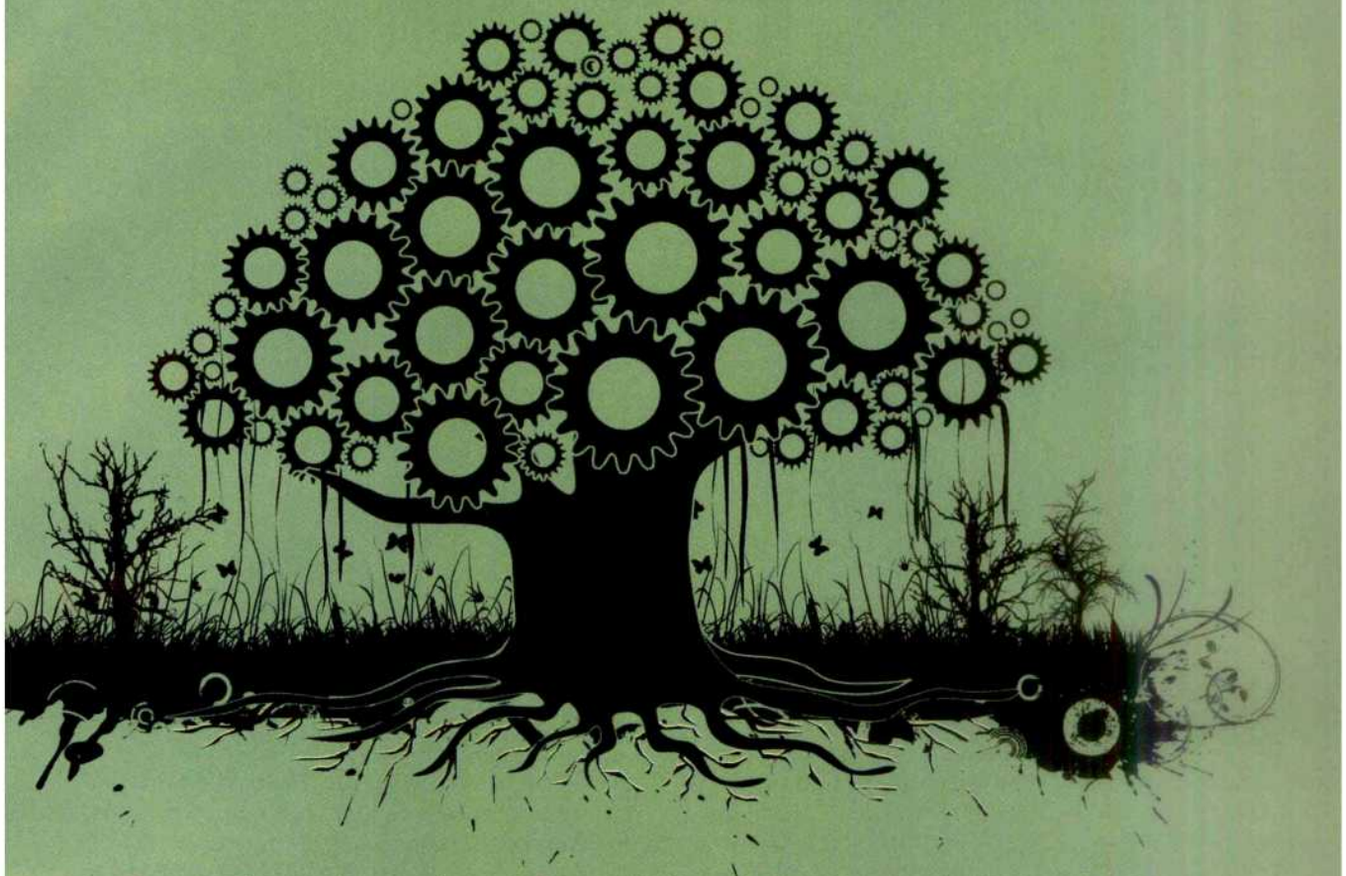
Until as late as January 1970, CESC was controlled from London. In 1978, it became a rupee company. Chittajit Dasgupta, who joined the company as a trainee engineer in the mid-1950s and retired as Deputy Managing Director in 1999, is a bridge to the past – a past of oil fired boilers and direct current, or DC, transmission. Electric lines were then carried at 33 kilo volts, or KV. The network completed the switch to underground 132 KV cables 10 years before Dasgupta retired. "I was sent to Britain for training with British Electricity for the switchover," he recalls.

Rama Prasad Goenka, head of RPG Enterprises, whose forefathers had settled in Calcutta in 1820, acquired CESC in 1989. Sanjiv Goenka, his younger son and now Vice Chairman of CESC, recalls how the acquisition began in a most haphazard manner, with him buying a parcel of shares offered by one Chander Dhanuka, who had picked it up from the open market. "My father was totally opposed to it," he says. "I bought the shares without telling him. He did not eat for two days when I told him about it."

CESC did indeed seem a terrible acquisition target then. The utility was everybody's favourite whipping boy because of the eight-hour-plus power cuts in the city. Supply was then just 300 MW, a quarter of it lost during transmission and distribution, while demand had long ago outstripped it.

But the Goenkas believed things could be set right. They began putting up more power plants, including three units of 250 MW each at Budge Budge, 30 km from Kolkata. "We worked to a plan," says Sanjiv Goenka. "It has taken us a few years to get there, to become one of the most efficient utilities in India, but we have done it. From eight hours of power cuts a day, Kolkata now has virtually no power cuts." The plant load factor at CESC power stations, the share of the capacity actually used to the installed capacity, has gone up from 52 to more than 90 per cent. The debt equity ratio has come down from 5.4:1 to 0.7:1.

Today, as Kolkata strives to catch up on the transport front as well, some of the early infrastructure created by the CESC is also likely to prove useful. Back in 1931, CESC engineers built a tunnel under the Hooghly riverbed to carry power lines across. With an east-west Metro rail link in the offing, Metro engineers are examining the tunnel, which is still operational, as an engineering model, as the last stretch of the Metro will also go under the Hooghly. ◆



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Growth Tonic

The owners' decision to let employees run Dabur has transformed the company's fortunes. By SHAMNI PANDE

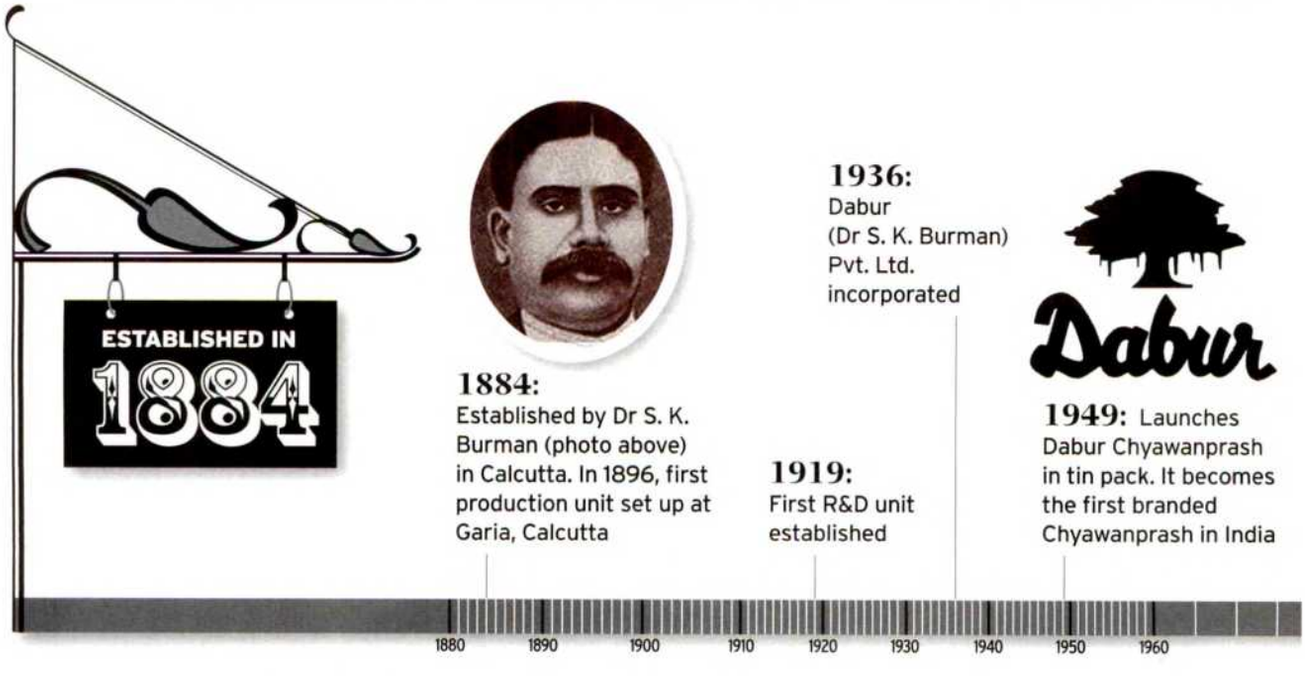
Tension suddenly crept in during a quarterly review meeting at Dabur in January 2009. A young manager walked up to the Chairman, Anand Burman, with a tray of new mint-flavoured Hajmola candies that would soon be launched. Burman popped one into his mouth, but spat it out within seconds. "It is awful. No one can eat this stuff," he said.

Complete silence followed. Plans for the launch were ready. What would happen now? Only CEO Sunil Duggal remained unfazed. "What do the research results show," he asked the manager who had brought the candies. The feedback had been positive, he was told. "We are launching it next month," Duggal announced. True to his word, Hajmola Mint was launched within a month. It went on to record ₹8 crore in revenue within the first year.

Not a well-known story, but it is heard every time employees are asked why they stay with Dabur. "The cornerstone of our growth is the empowerment of employees," says Duggal. "We are allowed to take risks, innovate and sometimes even fail." Duggal himself, an alumnus of the Birla Institute of Technology and Science, Pilani, and IIM, Calcutta, has been with the company for close to 16 years.

Duggal is not alone. P.D. Narang, resident financial wizard, popularly referred to as PDN, joined Dabur as a 28-year-old consultant 28 years ago, when the company was still called Dabur (S.K. Burman) India. Little did he know that his interview with the unassuming owners, A.C. and P.C. Burman, in a small room inside a residential building on Tilak Marg in Delhi would lead to the rewarding handshake of a lifetime.

PDN, who has a string of accounting degrees, chose Dabur over Ranbaxy. He already had a practice as a tax consultant in Chandigarh. Dabur was then just a ₹40-crore



Close ties: Seated: R.C. Burman (left) and Ashok C. Burman; Standing from left: Mohit Burman, Sidharth Burman, Vivek C. Burman, Pradip Burman, Amit Burman, late Gyan C. Burman and Anand Burman

HISTORY LESSON

1884 International conference in Washington adopts Greenwich Mean Time as the standard time zone

company with profits under ₹1 crore. There were barely four professionals working there. It was a calculated risk for PDN. "I liked their (Burmans') attitude. They were involved and were open to views and innovation. I sensed an opportunity for growth," says Narang, who is today Group Director, Corporate Affairs, and the vital link between the professional management of the company and the owner family.

Since he joined, Dabur has grown into a 5,500-employee company, clocking revenues of over ₹4,000 crore, a net profit of ₹568 crore. It has five master brands and over 300 products including chawanprash, hair oils, toothpaste to bleaching creams.

So what makes it stand out in the ruthlessly competitive world of fast moving consumer goods?

Dabur was set up in 1884 by

1970: Enters oral care and digestive segment

1978: Launches Hajmola tablet

1994: Comes out with public issue

1996: Enters foods business with Real Fruit Juice

1998: Burman family hands over management of the company to professionals

2000: Dabur becomes market leader with a turnover of ₹1,000 crore. (Photo above) Team India captain M.S. Dhoni in a Dabur Chyawanprash advertisement

1970 1980 1990 2000 2010

Landmark: Dabur's first manufacturing unit in Sahibabad, following the shift to Delhi. (Below) Dabur advertisements featuring actors Sridevi and Shriram Lagoo

Dr S.K. Burman, a physician by profession. It had just a handful of employees and Ayuvedic medicines in its portfolio. Till the 1990s, the company could not make the most of its potential. It was then that it hired consulting firm McKinsey for advice. McKinsey suggested Dabur do away with the family's involvement in the day-to-day functioning of the company. What followed was unheard of at the time and has since become part of Indian corporate history. "It was tough. For a barely ₹40-crore company to cough up ₹10 crore to pay a consultant to tell me that I must quit," says Ashok C. Burman, the 82-year-old patriarch, laughing.

ACB, as he is fondly called, still keenly listens to old-timers who call him regularly to give him office-related news. "It was hard to decide that none of my children or brothers would be allowed into the company," he says. The Burmans, as majority stakeholders, do have a say in the vision and direction of the company, but they do not interfere in day-to-day matters and do not draw salaries either. "We stumbled initially, because we were scared to ask what was happening in the company," says ACB. "Today, we know we have to invest, employ good people and then trust them to do the job."

To be sure, the company has taken big bets and pushed some tough decisions on the family. For instance, in early 2000, Narang asked the family to relinquish control in a franchise called Red Rock which had been taking care of the international business since 1985. "A tough call after they had given over the reins of Dabur. But they agreed," says Narang. Thereafter Red Rock became part of Dabur and was run in the same decentralised way. The result was instantaneous. In the first year of its assimilation in 2001, Dabur made its first foray in West Asia with a different set of products and set up a manufacturing base in the region. Many others have done the same since then.

Similarly, the family supported the company's decision to buy the loss-making Balsara in 2005. "The owners are open to bankrolling big bets and even risky ones where we feel there are opportunities," says Duggal, who had led the buyout that gave Dabur girth in the oral-care segment with brands such as Babool and Meswak.

"We believe in nurturing talent. There may be little buzz about the moves we make, but few know we are a poaching ground for the industry, like Unilever," says A. Sudhakar, Executive Director, HR, Dabur, who joined the group a decade ago. "The point is we do not believe in pushing what we like, but what our consumers like. Who cares about what my taste and belief is," says Anand Burman. ◆

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Safe and Sound

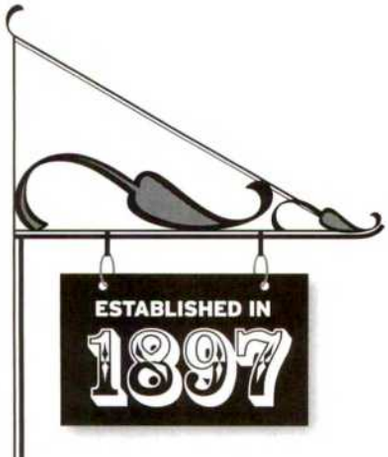
The safes, locks, typewriters, refrigerators and trucks manufactured by Godrej & Boyce are all iconic products.

By GEETANJALI SHUKLA

On April 14, 1944, SS Fort Stikine, a freighter carrying cotton bales, gold and ammunition, exploded at the Bombay Docks. Over 800 people were killed, while the blaze the explosion set off took three days to put out. The docks were badly damaged – nearly 500,000 tonnes of debris had to be dredged over seven months to make them functional again.

But every Godrej safe, installed in the offices of the merchants at the docks, though battered and disfigured by the explosion, stayed intact.

The event did not make Godrej's reputation, but only added to it. B.K. Karanjia, in his book, *Godrej: A Hundred Years*, quotes a testimonial from three decades before the 1944 explosion. A survivor of another fire in 1914 says of the family safe: "Being Godrej's, we were confident the papers [inside] would be found intact, but some of us had doubts about the safety of the pearls. On



1897: Godrej & Boyce Mfg. Co Ltd is established. Ardeshir Godrej (in photo) starts manufacturing high-security locks, under the brand name Anchor

1902: Company starts building safes as well

1909: Ardeshir Godrej invents the springless lock, gets a patent, for it under the seal of King Edward VII

1932: Godrej & Boyce is incorporated as a limited liability company. Ardeshir dies in 1936

1951: Company secures order to manufacture 900,000 ballot boxes for independent India's first general elections (photo below)

1890 1900 1910 1920 1930 1940 1950

UMESH GOSWAMI

Third generation: Godrej Group Chairman Adi Godrej (left) with Jamshyd Godrej, Chairman, Godrej & Boyce. Behind them in black is a new-age Godrej safe

HISTORY LESSON

1897 was the year when one of the biggest earthquakes of all time, measuring 8.1 on the Richter scale, occurred in Assam. But death toll was relatively modest: 1,500

opening the safe, we were all agreeably surprised to see that the pearls were perfectly safe and as lustrous as before the fire." Even King George V and Queen Mary used a Godrej safe to store valuables on their 1911 India visit for the Delhi durbar.

Today, the $2.6-billion (₹11,700 crore) Godrej conglomerate encompasses real estate, fast moving consumer goods, industrial engineering, appliances, furniture, security and agri care. But it was safes that the mother company, Godrej & Boyce, set up in 1897, began with as Ardeshir Godrej spotted a business opportunity. Pirojsha Godrej, his younger brother, joined him in 1906.

1955: Godrej & Boyce manufactures the first Indian typewriter. (In photo) Jawaharlal Nehru types using a Godrej typewriter

1958: Godrej & Boyce, in collaboration with GE, manufactures India's first refrigerator

1963: Godrej & Boyce makes the first forklift Truck in India in collaboration with Clarke Material Handling Company, US

1965: Godrej & Boyce opens a factory in Malaysia to manufacture office equipment

1972: Pirojsha Godrej, Ardeshir's brother, consolidator of the Godrej empire, dies

1997: Special postage stamp released to commemorate 100 years of Godrej's existence

1960 1970 1980 1990 2000 2010

Ardeshir, trained as a lawyer, but an inventor at heart, travelled overseas in 1906 to understand the safe-making business better and returned with valuable insights. He found that even safes made abroad were lined with sawdust, a combustible material, and consciously chose not to use it in Godrej safes, employing a special fire-resistant compound instead. He got three patents for his innovations in safe making, which also changed the way safes were made across the world.

Adi Godrej, the group chairman today, says his grandfather Pirojsha and Ardeshir were staunch believers in swadeshi. "They felt if India wasn't economically independent, political independence would be difficult."

Before he got into safes in 1902, Ardeshir was already manufacturing locks in a small shed in Lalbaug, in central Mumbai since 1897. He invented in 1909 – and won another patent for it – a lock without springs, which was more difficult to pick than the locks in use, and also told its owner if it had been tampered with. More than a century later, security is big business for Godrej, which has separate entities called Godrej Locks and Godrej Security Solutions. The latter manufactures not only the renowned safes, but also substance detectors, baggage scanners and biometric access systems. The company is among India's top private defence suppliers – making precision tracking systems to rocket engines.

The swadeshi spirit continued into the second generation.

Cool Company: An advertisement for India's first refrigerator made by Godrej & Boyce; (Below) Pirojsha Godrej inspects the estate he bought in Vikhroli, Mumbai, where the Godrej Group is now headquartered

Pirojsha's son, Naval Godrej, who inherited Godrej & Boyce, decided to take on the foreign typewriter manufacturers. In a market dominated by Remington and Halda, in 1955, he launched the Godrej typewriter, the first to be manufactured in India, which quickly made its mark. Out of a total of 1,800 parts in the typewriter, just four were imported. "When Prime Minister [Jawaharlal] Nehru typed on it [a Godrej typewriter] for the first time, the nation received the message that India was taking its place among the few highly industrialised countries of Europe and US," writes Karanjia. Technology has sent the typewriter to the scrapyard – even Godrej stopped manufacturing it in 2009 – but the company continues its presence in the same space. Electronic typewriters, fax machines, word processor and dot matrix printers were all first brought into the country by Godrej.

Godrej refrigerators were also once just as prized as the typewriters, safes and locks. The company was one of the early manufacturers of refrigerators in India, starting in 1958 with one priced at ₹1,885. Karanjia's book says Godrej refrigerators have been upgraded every year since 1987, with the latest technology being quickly incorporated. This May, Godrej Appliances – one of the mother company's 18 arms contributing 20 per cent to its revenues and manufacturer of refrigerators, launched one that included a built-in FM radio and an MP3 player.

It is a family business that exudes stolidity and stability. All its companies have been in the business for at least two decades. Godrej Material Handling began in 1963 when the company made the country's first forklift truck. Godrej Interio began manufacturing furniture in 1923 with the Godrej Storewel cupboard. Godrej Precision Systems made its debut in 1985 and makes high precision spacecraft components. "This is the advantage of a family-run business," says Adi. "It can look at long-term value creation. Businesses run by professionals alone tend to be more short-term in their view." ◆

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Halls of Fame

The Taj group of hotels, host to the world's most powerful and glamorous, has survived everything from snubs to bombs. By SUMAN LAYAK

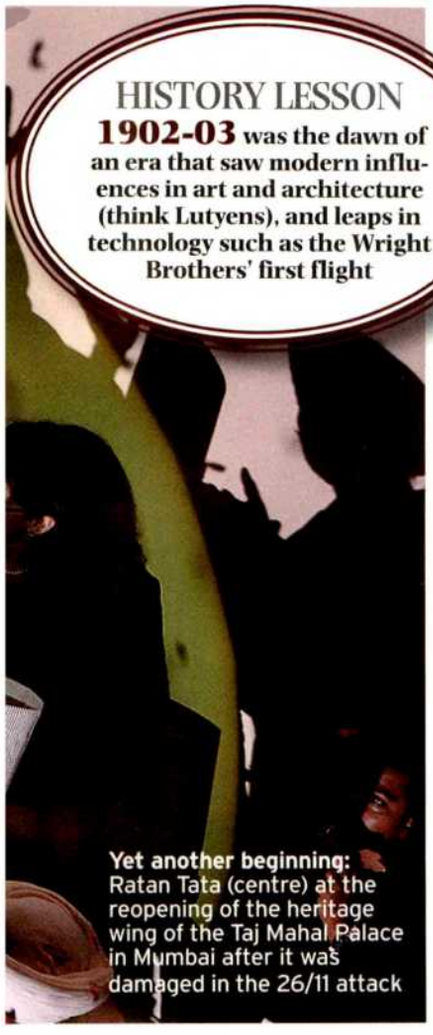
1902: J.N. Tata (pic, below) incorporates the Indian Hotels Company

1903: Indian Hotels opens its first hotel, Taj Mahal Palace, in Mumbai, opposite the Gateway of India

1974: The group opens its first resort, Fort Aguada Beach Resort, in Goa

1980: The group ventures abroad with the Taj Sheba in Sanaa, Yemen

1900 1910 1920 1930 1940 1950 1960 1970 1980 1990



HISTORY LESSON

1902-03 was the dawn of an era that saw modern influences in art and architecture (think Lutyens), and leaps in technology such as the Wright Brothers' first flight

Yet another beginning: Ratan Tata (centre) at the reopening of the heritage wing of the Taj Mahal Palace in Mumbai after it was damaged in the 26/11 attack

Knotty problem for travelers solved at last" ran the headline of an article published in *The New York Times* on September 15, 1907. The article discussed the proper approach to tipping while travelling around the world. Five top global hotels were mentioned in the introduction, among them the Taj Mahal Palace in Bombay (now Mumbai). The others named were in Cairo, Mandalay, Bangkok, and Colombo.

Just four years after the Taj opened its doors, it was up there among the best in the world. Remarkably, *The New York Times* writer chose to mention the upstart over older hotels in the city.

There are many stories about why Tata Group founder, Jamsetji Nusserwanji Tata, built the Mumbai Taj, the first property set up by the Indian Hotels Company, which he started. One story goes that it was because Tata suffered the personal humiliation of being turned away from a Mumbai institution, identified variously as Watson's Hotel, or The Majestic, or the Royal Bombay Yacht Club – that in those days served whites only. But according to Raymond Bickson, Managing Director of the Taj, the impetus was a newspaper editor's complaint to Tata that there were no good hotels in Bombay.

If Indian Hotels was born of a clash of values or taste, the company has seen conflicts of a different kind in its later years. Among these was the struggle of former chairman Ajit Kerkar, appointed by J.R.D. Tata in 1989, to turn the company into a global empire, by raising money at a time when the Tatas were not interested. Then came the battle between

1997: Ratan Tata takes over as Chairman

2003: The flagship property is rebranded as Taj Mahal Palace and Tower. Raymond Bickson (pic, above) takes over as the first expat CEO

2004: The first Ginger budget hotel comes up in Bangalore

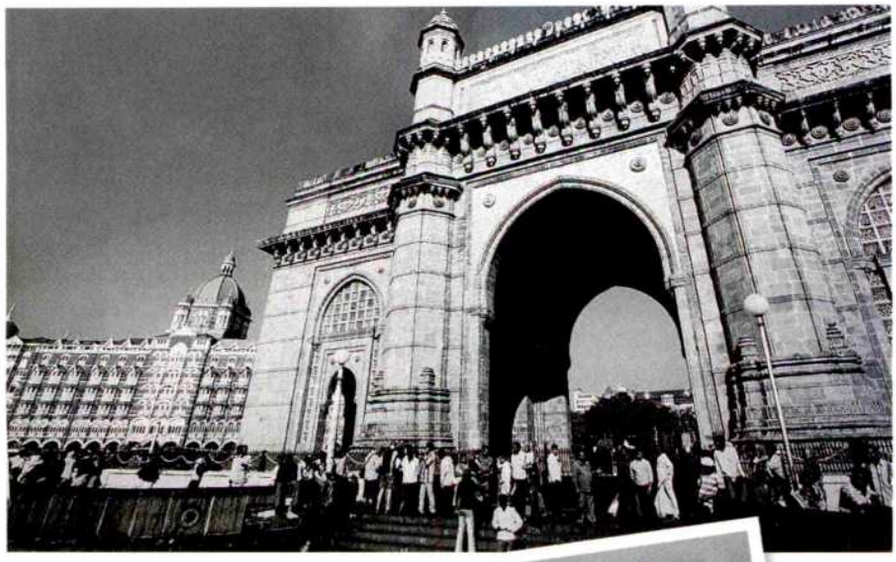
November 26, 2008: The Taj is damaged in the Mumbai terrorist attacks, and closes for renovation

2009: The Vivanta by Taj brand is launched in the Maldives

2010: The renovated heritage wing of the Taj, Mumbai, reopens; US President Obama visits

2000

2010

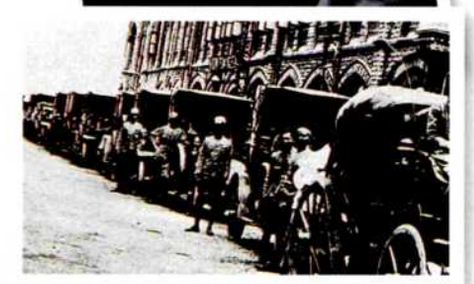


Historic pair: The Taj Mahal Palace, Mumbai, and the Gateway of India

him and Ratan Tata for control of the company, which Tata eventually won. And in 2008, the world looked on aghast as the army, police, and hotel staff struggled to free the Taj from terrorists following the attack on November 26. During the siege, the hotel's general manager, Karambir Kang, helped guests out of the building even as his own family remained trapped and perished in their living quarters on the top floor.

Not many are aware that the other hotel to be attacked by terrorists on 26/11, the Oberoi, had its own little run-in with the Taj in the 1970s. In June1974, owner M.S. Oberoi wrote to J.R.D. Tata, complaining that Air India was giving the Taj an undue share of its business, at the cost of the Oberoi-Sheraton at Nariman Point.

At the time, J.R.D. Tata was chairman of both Air India and Indian Hotels. He took his time to reply, but when he did, he reminded Oberoi that his hotel was only two years old, and the Taj was 70. Tata, wearing his Air India hat, also reminded Oberoi that tourists flown in by the national airline were not charged extra by the Taj if they turned up before the noon check-in time, while the Oberoi-Sheraton, by contrast, billed half-rate. He ended the letter by saying: "As chairman of Indian Hotels, I have deliberately kept right out of any allocation of business as between hotels, and have left it entirely to the management."



Mumbai memories: (Above) Ravi Shankar and George Harrison; (below) hotel guests arrive

Under Ratan Tata, Indian Hotels has become truly global. It has a Hawaiian, Bickson, at the helm, and has been picking up prestigious properties, such as The Pierre in New York and the Ritz-Carlton in Boston.

It has also ventured into other categories, with the Ginger budget hotel chain, and the four- and five-star chains, Gateway and Vivanta by Taj. The group has a presence worldwide, and recently entered China. It is currently in the middle of a ₹960-crore expansion programme announced last year.

But there have been setbacks too, chief among them the group's failure to acquire Orient Express, the American luxury hotel chain. The Tatas picked up a 10 per cent stake in the company in 2006, but Orient Express rebuffed the group's approach to collaborate, and created its own defence mechanism in the form of a convoluted corporate holding structure that forced the Tatas to exit the company a year later. The Orient Express management even said that associating its brands with the "predominantly domestic" Indian chain would lead to an erosion of its "brand and business value".

Another century, another snub. Things could get interesting. ◆

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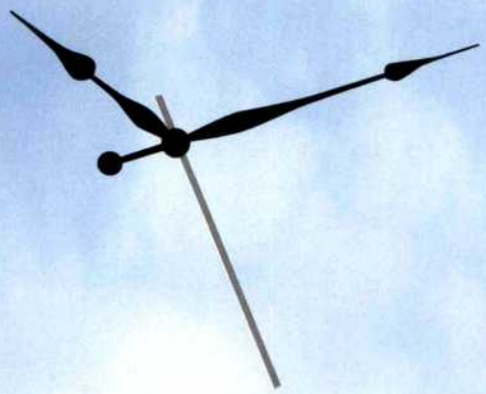

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HISTORY LESSON

1910 George V becomes King of England following the death of his father, Edward VII. In India, Sri Aurobindo arrives in Pondicherry to set up Auroville

ESTABLISHED IN 1910

1910: The Imperial Tobacco Company is registered in Calcutta

1911: Stall set up at the Delhi Darbar to promote Scissors, one of ITC's early cigarette brands

1971: ITC starts era of brand sponsorship of sporting events

1974: Name changed to ITC Limited

1975: Enters hotels business

1910 1920 1930 1940 1950 1960 1970

Imperial Touch

From a plain old cigarette-maker, ITC has morphed into an FMCG, hotels and packaging powerhouse. By SOMNATH DASGUPTA

Talk to an executive director or even a director at ITC and, depending on whom you spoke to, you could come back with the feeling that it is a leading hotels brand, a paperboard and packaging major, or even a fast-moving consumer goods giant making products from branded apparel to snacks.

Buttonhole the chairman, Yogesh Chander Deveshwar, and he could leave you reeling with tales about ITC's "triple bottomline", its determination to serve India and the bottom of the pyramid. His missionary zeal could even fool you into thinking that he is the company's "promoter".

Turn to its shareholding pattern and the story gets confusing. Is ITC "owned" by the government? Government-owned financial institutions hold around 37 per cent. BAT, the British MNC that founded Imperial Tobacco Co. in India in 1910, holds a stake of around 31 per cent. And, there are the shares with the public.

BAT, the owner of brands such as Dunhill and Kent, rarely contradicts Deveshwar's plans for ITC. It was not always like this. "The relationship has been very cordial. Barring that period in 1995/96 [when] there was a period of disquiet... this company almost sank in that period," says Deveshwar, talking of a BAT attempt to takeover ITC in the mid-1990s. (See *"My objective and my company's objective is to be future ready"* on page 114)

When BAT first set foot in Kolkata and set up the Imperial Tobacco in 1910, it staffed the company with graduates from Cambridge. For long, ITC was considered a "white" company. Things started changing after Ajit Narain Haksar became the first Indian chairman in 1969. (Indian shareholding had begun in 1954.) A year later, the Imperial in the company's name became India, and in 1974, it became plain ITC.

The diversification bug bit ITC in the early 1970s. First came hotels, then paperboard. "Organisations have to reinvent themselves because change is continuous outside," says Deveshwar. Kurush Noshir Grant, executive director, recalls that ITC was pretty well diversified even when he joined it 31 years ago. It was a company with such distribution muscle that the government of India came calling. "We were one of the largest marketers of condoms... basically Nirodh, on behalf of the Government of India," he says.

1996: Enforcement raids on ITC, top officials arrested, including two former chairmen

1998: ITC exits financial services business, selling ITC Classic Finance to ICICI; exits edible oils business

2000: Launches e-Choupal initiative

2003: Starts launching flurry of non-cigarettes FMCG

2011: Reports post tax profit of ₹4,988 crore on net turnover of ₹21,168 crore

1980 1990 2000 2010

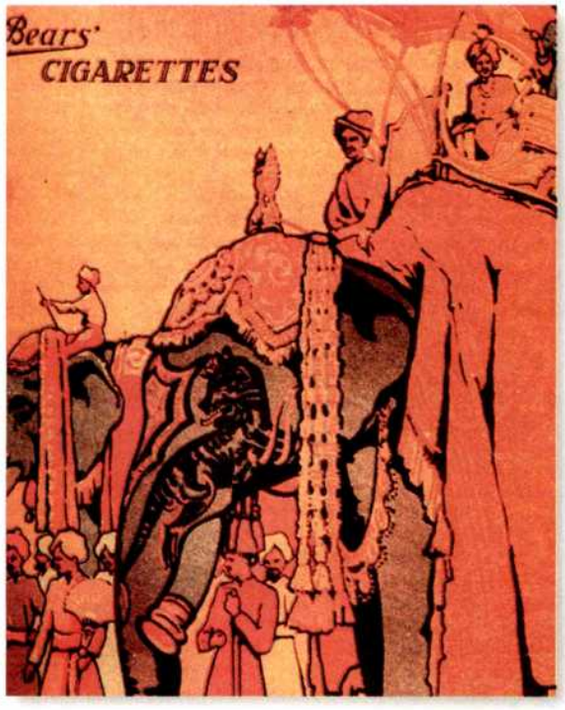
When ITC first set foot in Kolkata, it had to scout for quality tobacco and was the first to make mass-produced cigarettes. In a marketing coup of sorts, it opened stalls at the Delhi Durbar in 1911 which was held to mark the shift of British India's capital from Calcutta to Delhi. But around the same time, ITC also made one of its earliest mistakes: it chose Munger in Bihar, an inhospitable place beset with dacoits, as its first cigarette factory site.

That is a thing of the past but, today, tell Grant that ITC is synonymous with cigarettes and his jawline becomes pronounced. "That's a myth... We are known for foods, for biscuits, for *atta*, for hotels, for agri, for paper," he says. The diversification in the 'FMCG and others' category has gathered pace but ITC will not disclose profit or loss figures for businesses like biscuits or branded wheat, in which it is giving market leaders a run for their money.

Businesses such as hotels and paperboards, initially separate companies and now divisions of ITC, have grown in size and scale too. In hotels, the high points were hit in the 1990s, when ITC decided to invest heavily. Properties such as the ITC Maratha, ITC Grand Central, ITC Sonar and ITC Gardenia have become examples of how sustainability can be married with luxury, says Nakul Anand, who heads the business.

The paper, paperboards and packaging business, from being a struggling subsidiary, is today a thriving division accounting for a sixth of ITC's revenues. P.V. Dhobale, who joined the ITC board in January, says paperboards and packing "has grown at a compounded annual growth rate of 16 per cent over the past five years, which is probably among the highest in the industry". It meets almost the entire packaging needs of ITC apart from serving customers such as Nokia. Its 115,000 hectares of social and farm forestry "is as big as Mumbai and Pune put together," says Deveshwar.

Mellow tone: A colourful poster designed for Bear's 'Elephant' brand of cigarettes (below) and a leaf-buying centre in 1918 (bottom)



Elsewhere, in Bangalore, ITC's 55-strong research and development team is working on ideas for its diverse businesses. For example, it is checking out how molecular biology might help improve pulp yields from eucalyptus, the tree on which its social forestry schemes are based. "We study how genes work and figure out if we can further improve the pulp yield," says C.C. Lakshmanan, Chief Scientist, Research and Technology Innovation.

But, ITC under Indian management has also had its share of failures. For example, the current leadership would rather not talk of ITC Classic Finance, its financial services business launched in 1986 and sold to ICICI after it sank. Mention Sundrop, the edible oils business, and ITC executives wince with regret.

Then, there is the e-choupal model started in 2000, possibly the only "new" business that has evolved into its third avatar, even though success has been limited. The e-choupals, or Internet-enabled booths linking farmers to market and weather information – and ITC to the produce it needs – spread rapidly till 2008, but have slowed since. ITC's future, says Deveshwar, lies in the "areas of tomorrow". Like food processing, agriculture, paper for education and packaging, tourism and hotels. In these areas, "we are investing heavily," he says. For one of the few institution-controlled companies in India, that is business as usual. ◆

ADDITIONAL REPORTING BY K.R. BALASUBRAMANYAM

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GRUNDFOS

Pump and Show

In Egypt, the brand is synonymous with its best known product.

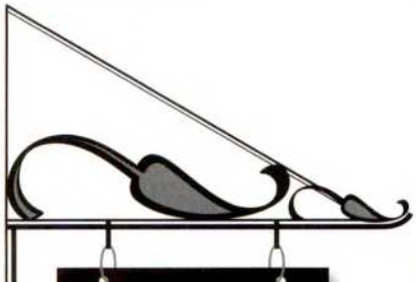
By K.R. BALASUBRAMANYAM

Is this really your name?" the receptionist at a Cairo hotel asked Sanjay Kirloskar, then Managing Director and now Chairman as well of Kirloskar Brothers, during one of his visits to the city in the 1990s. She kept grinning at him. Kirloskar confirmed it was, wondering what she found so funny. "Here in Egypt, Kirloskar means pump," she explained.

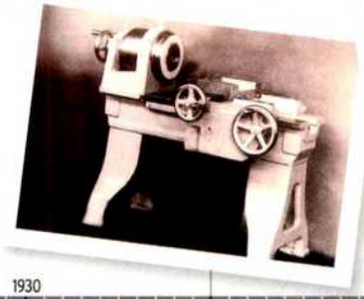
Just as in India, Xerox means photo copier. It is every marketer's daydream: his brand becoming synonymous with the product. Kirloskar pumps have achieved this in much of Africa, especially Egypt, where the company has been exporting pumps to since the 1960s.

The saga of the ₹6,300 crore ($1.4 billion) Kirloskar conglomerate begins in 1888 when Kirloskar Brothers was launched in Belgaum. Initially it was only a trading company. Older brother Ramchandrarao ran it, while Laxmanrao lived in Bombay – now Mumbai – pursuing his academic ambitions. A misstep by the British authorities at Victoria Jubilee Technical Institute, where Laxmanrao taught, eventually led to a big leap in the Kirloskar journey. Upset at being denied his rightful promotion by the British higher-ups, the young man quit his job and headed for Belgaum. (More than a century later, in November 2003, when Kirloskar Brothers acquired a British company, SPP Pumps, it seemd to settle a historic score.)

Laxmanrao's participation dramatically changed the focus of the Kirloskar business from selling to manufacturing. He understood technology; he also had his finger on the pulse of the market and on farmers' requirements in what was then a predominantly agrarian society. The Kirloskars' first product – a hand-powered chaff cutter – took shape in 1902. Three years later, the brothers came up with a first-of-its-kind iron plough. Used to wooden ploughs, farmers were initially cold to



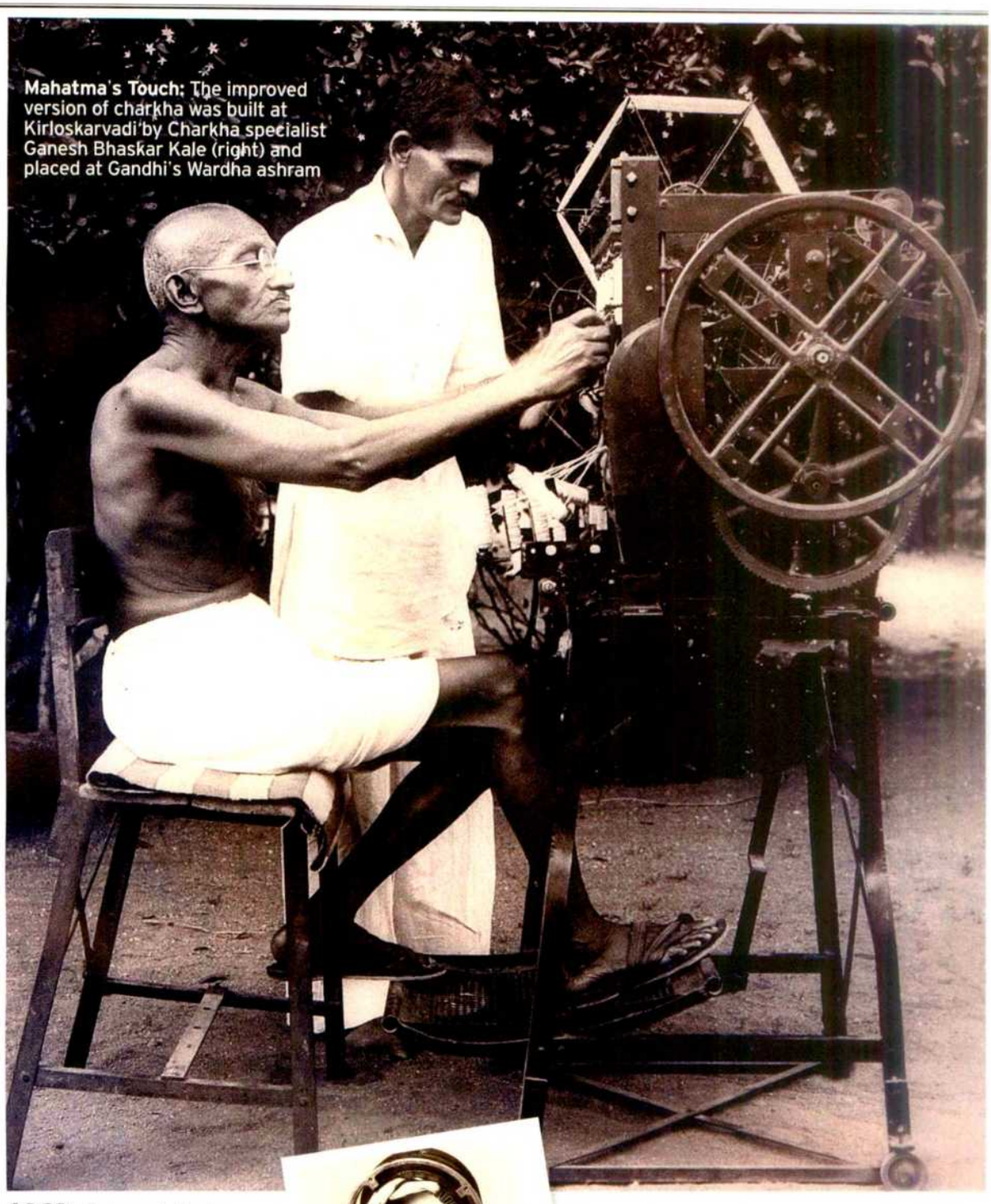
1940: Company manufactures India's first lathe (photo below)



1958: Kirloskars begin exports. Photo above: The family gathers to celebrate another milestone

1910 1920 1930 1940 1950 1960

1914: WW I hits raw material imports, halts production. (Photo) Iron furniture by Kirloskars



Mahatma's Touch: The improved version of charkha was built at Kirloskarvadi by Charkha specialist Ganesh Bhaskar Kale (right) and placed at Gandhi's Wardha ashram

1969: Factory at Kuala Lumpur begins operations. Photo below: Assembly of hand pumps at Kirloskarvadi

1970 1980 1990 2000 2010

1973: Large-scale exports of pumps to Europe begins. Photo above: Pump manufactured by Kirloskars

2003: Kirloskar Brothers acquires SPP Pumps in England

2007: Sardar Sarovar project's pumping scheme, using Kirloskar pumps, commissioned

Standing Tall: The 1926 heritage building at Kirloskarvadi; now a design, planning and R&D department

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

HISTORY LESSON

1888 John Boyd Dunlop invents (and later patents) an air-filled bicycle tyre to help his son ride easier

Kirloskar's offering: it took them around two years to realise that iron ploughs were sturdier than wooden ones. But just as they began selling well, in 1908, the Belgaum municipality ordered Kirloskar to vacate its premises to make space for a new Belgaum suburb. Fortunately, Balasaheb Pant Pratinidhi, the Raja of Aundh – then a princely state and now part of Maharashtra's Satara and Sangli districts – offered the Kirloskars both land and a loan to continue their venture.

The new place, where the Kirloskar brothers rebuilt themselves – starting in March 1910 with just 25 workers – is today Kirloskarvadi, a sprawling factory-cum-township in Sangli district, 270 km southeast of Mumbai. The Kirloskar empire now comprises eight group companies, with units scattered across several countries, manufacturing a range of items from oil engines to electric motors, pumps to turbines, engines to generator sets.

World War I (1914 to 1918) hit the Kirloskar brothers badly as the supply of iron stopped. This time the Maharaja of Solapur in southeast Maharashtra, came to their rescue, selling them his cannons to melt down and use the iron to continue making their ploughs.

During World War II (1939 to 1945), the British insisted the Kirloskars manufacture armaments for them. Far from keen, they offered to make machine tools instead, which in turn could be used to make weapons: thus began their entry into machine tools. "The logic was simple," says Sanjay Kirloskar. "My forefathers wanted to enter a manufacturing area that would endure even after the war ended, when the demand for weapons was bound to drop sharply."

Early on, the Kirloskars decided to start exporting. "My grandfather, Shantanurao Kirloskar, would say every business is cyclical," says Kirloskar. "He said we must reduce our risk by reaching out to more markets."

As befits a 122-year-old company, Kirloskar Brothers retains a culture of paternalism. "We do consider merit," says N.D. Wagh, Operations Head at Kirloskarvadi. "But we are inclined to employ people whose fathers also worked here."

"We are trying to make our future as glorious as our past," says Sanjay Kirloskar. "Our products have lower life-cycle costs than any other brand, and consume less energy too."◆

Honoured: A commemorative stamp on founder Laxmanrao Kirloskar

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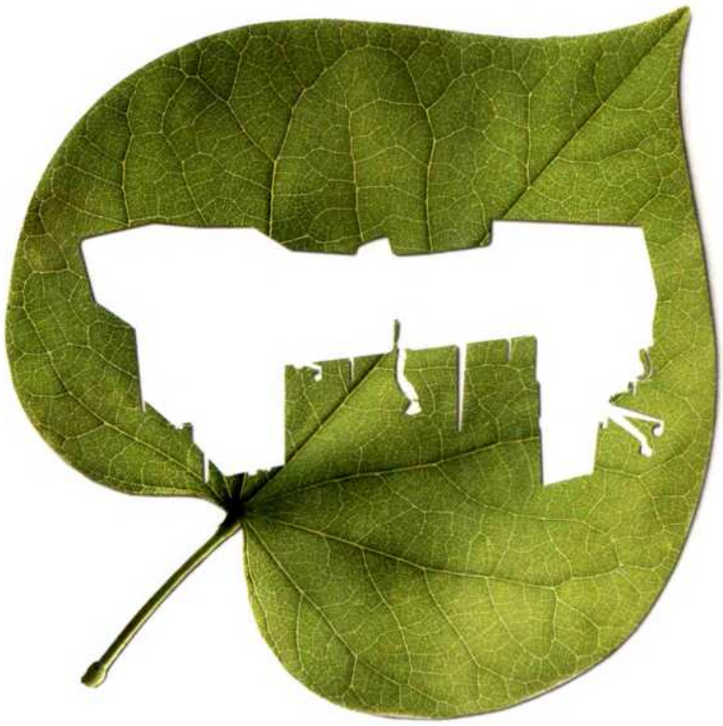

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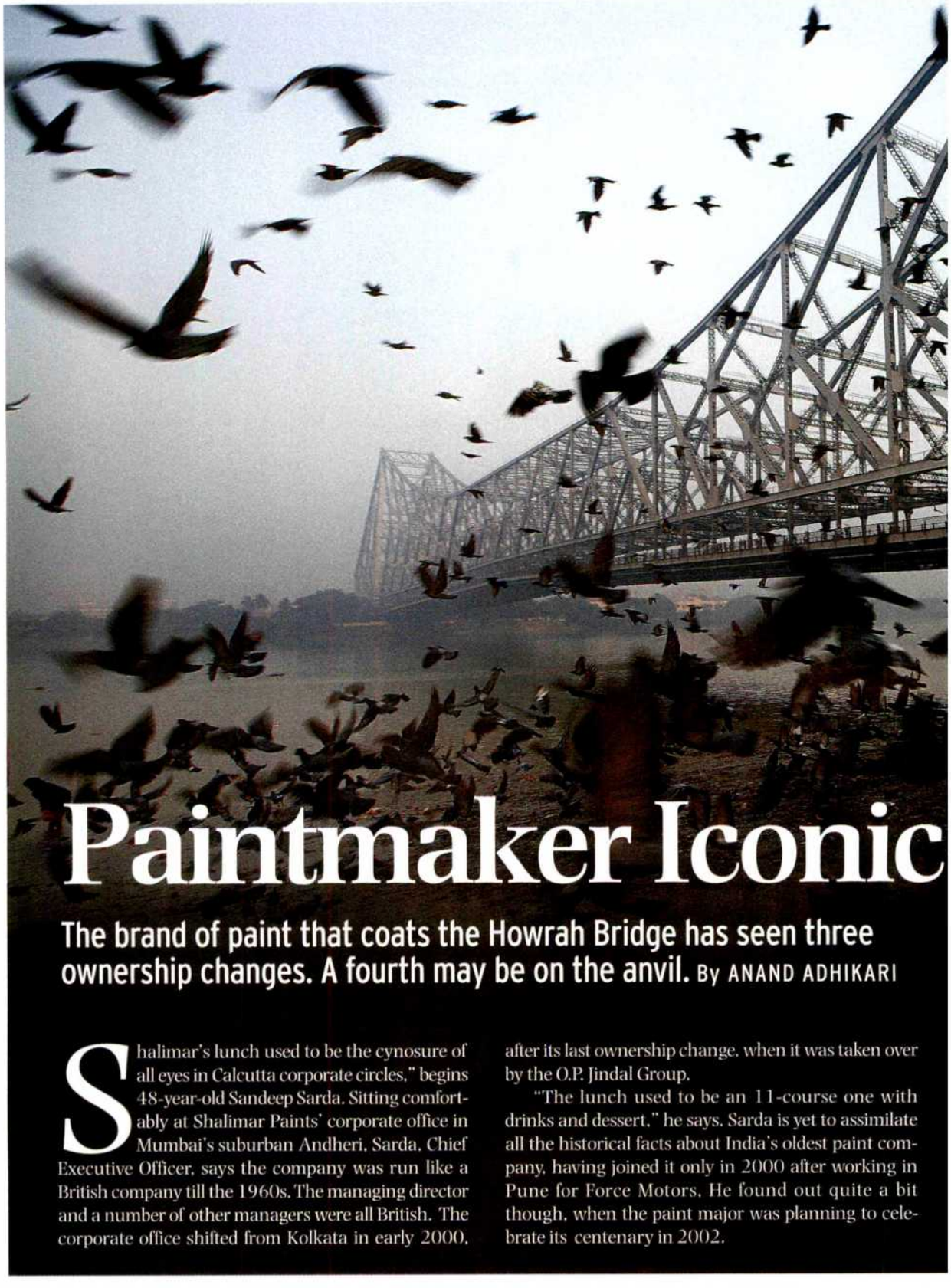


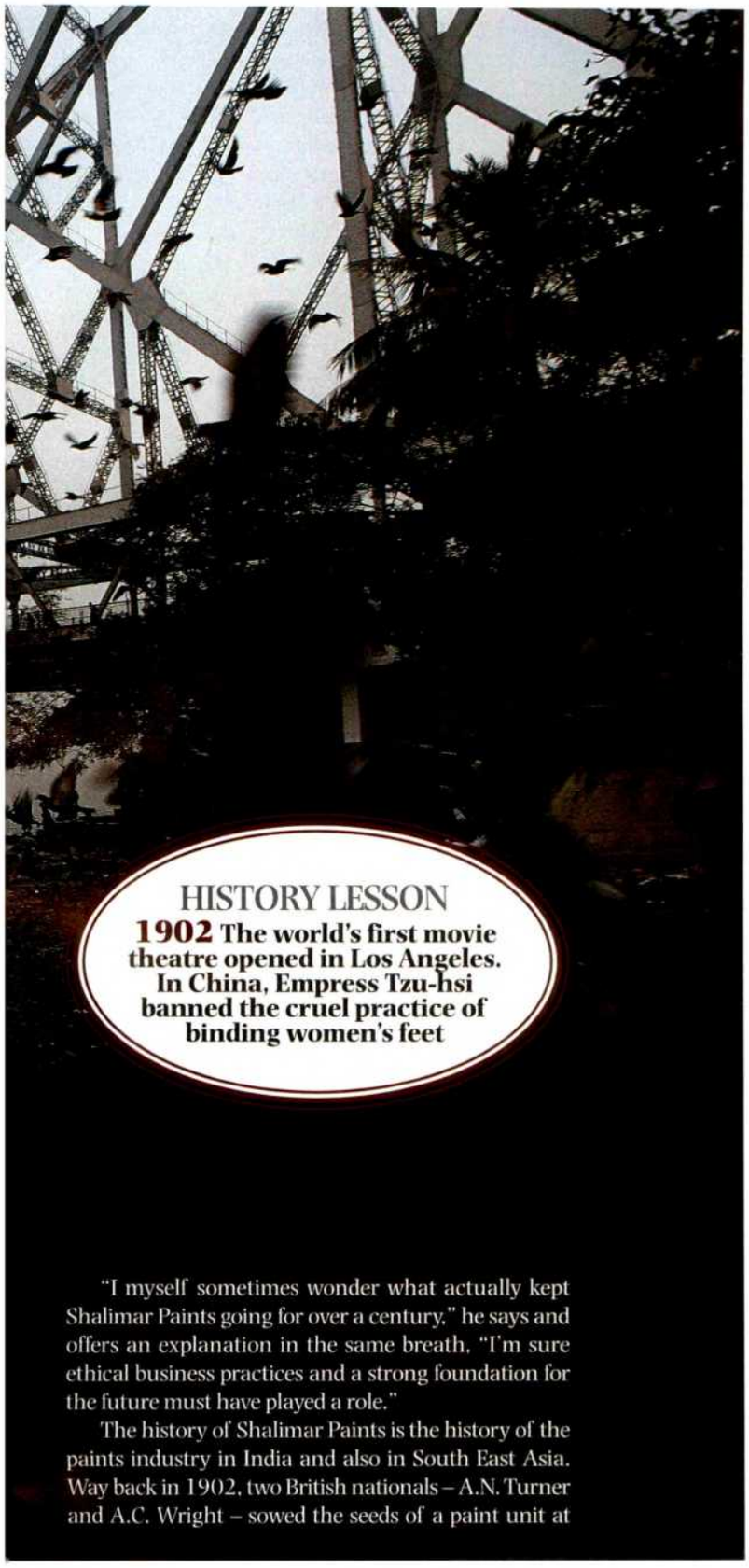
SHEKHAR GHOSH/www.indiatodayimages.com

Paintmaker Iconic

The brand of paint that coats the Howrah Bridge has seen three ownership changes. A fourth may be on the anvil. By ANAND ADHIKARI

Shalimar's lunch used to be the cynosure of all eyes in Calcutta corporate circles," begins 48-year-old Sandeep Sarda. Sitting comfortably at Shalimar Paints' corporate office in Mumbai's suburban Andheri, Sarda, Chief Executive Officer, says the company was run like a British company till the 1960s. The managing director and a number of other managers were all British. The corporate office shifted from Kolkata in early 2000, after its last ownership change, when it was taken over by the O.P. Jindal Group.

"The lunch used to be an 11-course one with drinks and dessert," he says. Sarda is yet to assimilate all the historical facts about India's oldest paint company, having joined it only in 2000 after working in Pune for Force Motors. He found out quite a bit though, when the paint major was planning to celebrate its centenary in 2002.



HISTORY LESSON

1902 The world's first movie theatre opened in Los Angeles. In China, Empress Tzu-hsi banned the cruel practice of binding women's feet

"I myself sometimes wonder what actually kept Shalimar Paints going for over a century," he says and offers an explanation in the same breath, "I'm sure ethical business practices and a strong foundation for the future must have played a role."

The history of Shalimar Paints is the history of the paints industry in India and also in South East Asia. Way back in 1902, two British nationals – A.N. Turner and A.C. Wright – sowed the seeds of a paint unit at

1902: Two Britons – A.N. Turner and A.N. Wright – set up Colour & Varnish Company in Howrah, West Bengal. It is the first paint manufacturing plant in the South East Asia

1928: UK-based Pinchin Johnson & Associates acquires Shalimar Paint Colour & Varnish - its new name - and makes it a part of its Red Hand Composition Company

1961: Shalimar Paints becomes a public limited company

1964: International Paints acquires US-based Red Hand Composition. Ownership changes hands again

1973: Problems surface with the FERA regulation as the company is majority owned by foreigners

1989: Company sold to O.P. Jindal Group and the Jhunjhunwalas. Both jointly manage the company

2003: Acquires the American Paints unit in Sikandrabad near Delhi

2008: Enters into technical collaboration with KCI, Korea for pre-coated metal coatings

Howrah, Calcutta (now Kolkata). "Imagine setting up a paint manufacturing unit with no raw material suppliers or distributors," stresses Sarda, sizing up the monumental task before the two entrepreneurs. In fact, the company still possesses the rights to mine raw material.

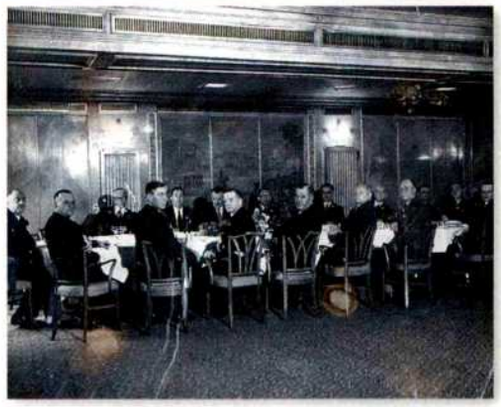
For over a decade, Shalimar was the only Indian player which had imports coming in from the US and Europe. Ironically, even as the two world wars hit import supplies, the industrial activity they generated spiked the domestic market for paints. By then other foreign paint majors were also moving into Kolkata: Elephant Oil Mills, Goodlass Wall, British Paints and Jenson & Nicholson, among others.

Multinationals began wooing Shalimar for a buyout. The first change of ownership took place in 1928 when the UK-based multinational Pinchin Johnson & Associates took control of Shalimar. The company became part of Pinchin's parent, the Red Hand Composition conglomerate. Pinchin ran Shalimar for three-and-a-half decades till 1964, before International Paints Plc acquired Red Hand Composition.

What helped Shalimar while it was under the two multinationals' control was its strong footprint in the industrial paints segment. It gained access to high-end technology in the industrial coating segment, especially in areas like aviation coatings, marine paints and the painting of thermal power plants.

In India, when it came to paint, Shalimar was the first name on everyone's lips. While he was President from 1989 to 1974, V.V. Giri even got the Rashtrapati Bhavan painted with Shalimar's paints.

Shalimar was the brand of paint that coat many other iconic buildings, like the palaces of Bhutan and Nepal. Another feather in its cap has been its uninterrupted track record of painting the Howrah Bridge. "We have been painting Howrah Bridge right from 1948/49," says Sarda. The bridge is painted after every eight to 10 years. "It takes almost a month-and-a-half to finish painting the aluminium pillars of the bridge," says Subhas Banerjee, Regional Head, East, Shalimar Paints.



Perks and the business: An 11-course meal at the office (above) and (top) paint is collected in drums at the Howrah plant for distribution

The dilution of foreign ownership of Shalimar started when the Foreign Exchange Regulations Act, or FERA, was passed in the 1970s, which laid down that foreign companies could only be minority shareholders in Indian firms. Many foreign firms like IBM and Coca-Cola shut down their India operations, rather than dilute ownership. Shalimar, too, was hit. The owners soon lost interest in the company. In 1972, Shalimar tapped the capital market and foreign holding in the company fell to 60 per cent. It was during this period that other paint companies grabbed crucial market share.

In 1989, just before the liberalisation of the economy, Shalimar again changed hands with Indian promoters taking control for the first time. Shalimar was acquired by the O.P. Jindal Group with interests in steel, and the Hong-Kong based S.S. Jhunjhunwala Group, that ran businesses in real estate and hospitality. "By then the company was not at all in good shape," says Sarda. Asian Paints, Kansai Nerolac, Berger Paints and Akzo Nobel had already pushed Shalimar to fifth position in the market.

Undeterred, Shalimar embarked on a major effort to regain its past glory. "It was a struggle till 1997, but after that we picked up steam," says Sarda. The real growth for Shalimar came in the early 2000s when it started growing on the back of increased activity in housing, infrastructure and other core sectors.

To meet the growing requirement, Shalimar set up its first plant outside Kolkata in 1992 at Nashik, Maharashtra. Then, in 2003, it acquired a plant in Sikandrabad near Delhi. Today, it has a combined capacity of 57,000 tonnes of paint per annum. A fourth plant in Chennai is also expected to come up by April 2012 to produce another 18,000 tonnes a year.

But the company still has a long way to go. It has a revenue base of ₹400 crore, compared to the market leader Asian Paints' ₹6,000 crore. Kansai Nerolac, US-based Sherwin Williams and a few others are all wooing Shalimar Paints for a buyout. A fourth change of hands in the coming months is entirely possible for this iconic brand. ◆

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Nerves of Steel

The industry pioneer has outgrown its home in Sakchi village, and is taking on the world.

By SUMAN LAYAK

The founder of the Tata Iron & Steel Company – now called Tata Steel – never lived to see it incorporated. TISCO was born in 1907 – three years after Jamsetji Nusserwanji Tata died. Tata had been pursuing the dream of setting up a steel plant in India since at least 1882. In 1902, he even travelled to Pittsburgh to seek the help of American geologist and metallurgist Charles Page Perin. Within a decade of its birth, TISCO, the first Tata company to bear the family name, had already made a mark: in June 1917, Perin would brag about TISCO at a meeting of American mining engineers, saying it produced pig iron for as little as $5 a tonne.

Tata Steel's history is inextricably linked to that of India, with the likes of Mahatma Gandhi and Subhas Chandra Bose having intervened in its affairs at different times. It has made boardroom history, too – especially the bitter battle between Russi Mody and Ratan Tata in the early 1990s, for control of the company, which ended with Mody's ouster.

There are quirky tales about the company as well. The legendary J.R.D. Tata, who later became group chairman, once recalled the saga of T.W. Tutwiler, general manager from 1916 to 1925. Tutwiler, he said, was "feared and loved as the uncrowned king of Jamshedpur... He thought that among his many accomplishments, he could play poker." The board would meet in Jamshedpur every Christmas, said Tata, mostly so that the directors could engage Tutwiler in a game of poker and dent his savings. The meetings stopped after Tutwiler left.

Life was probably easier for the directors then. Today, they are all on their toes, with Tata Steel having acquired factories and mines around the world. Their gambles now are business gambles, where the stakes are much higher. With the addition of Tata Steel Europe – formerly Corus – the company is the world's sixth-largest steel maker.

1902: **J.N. Tata** (pic, right) seeks the help of geologist Charles Page Perin to identify a site rich in resources such as iron and coal, to build India's first steel plant. The search starts in what is now Madhya Pradesh

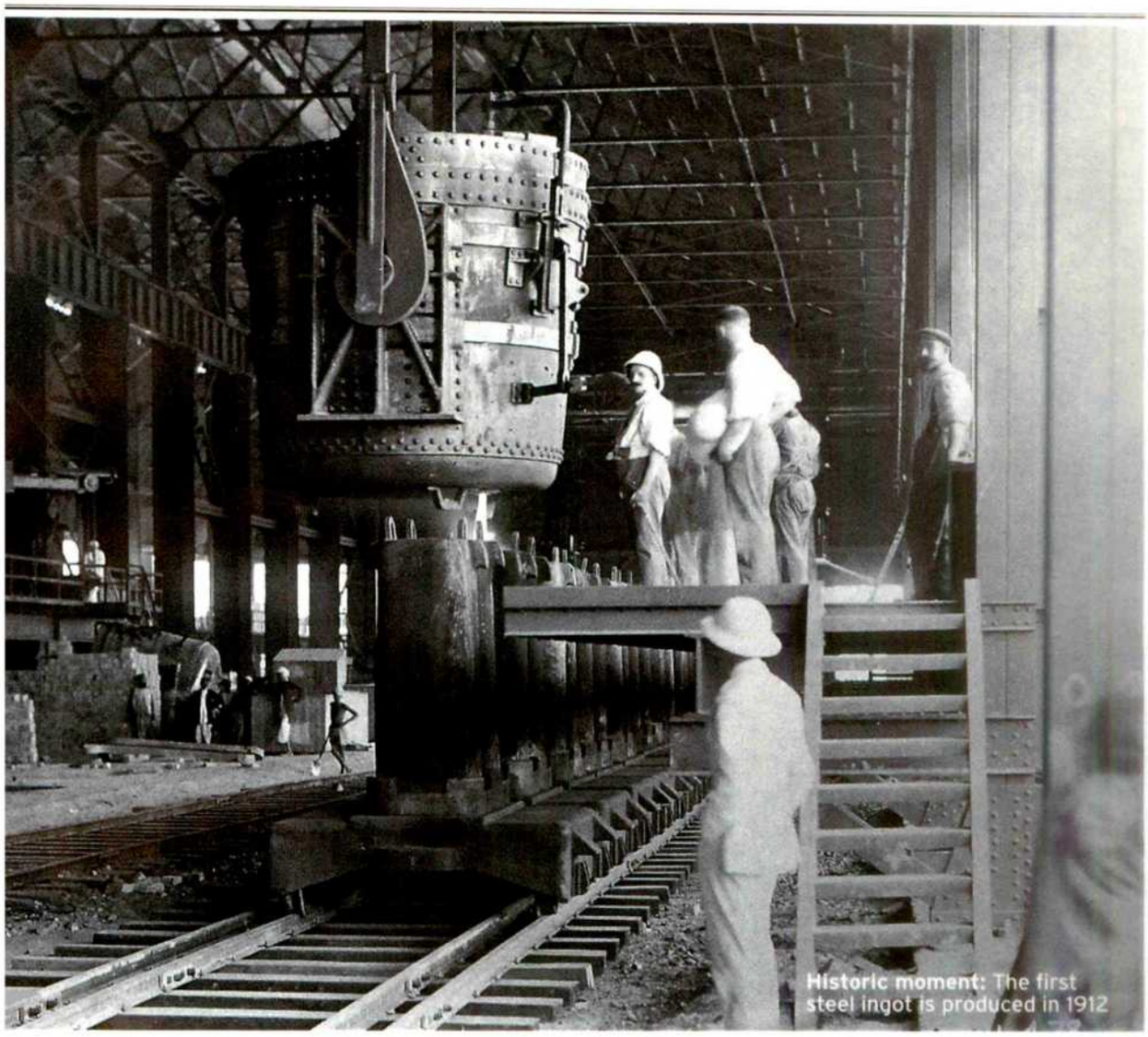
1907: The team finally chooses Sakchi village in present-day Jharkhand, which has since grown into the steel town of Jamshedpur

1908: The plant becomes operational

1920: Company introduces leave with pay. It became mandatory only in 1945

1928-29: Company introduces maternity benefit scheme

1900 1910 1920



Historic moment: The first steel ingot is produced in 1912

TATA ARCHIVES

1934: Becomes the first company in the country to grant profit-sharing bonus

1938: J.R.D. Tata succeeds N.B. Saklatvala as Chairman of the company

1984-85: Russi Mody (pic, above) takes over as new chairman. J.R.D. Tata becomes Chairman Emeritus

1992: J.J. Irani becomes MD

1993: Russi Mody is ousted. Ratan Tata (pic, below) takes over

2005: Tata Steel acquires Singapore-based Nat Steel

2007: Tata Steel wins the bid for European steel maker Corus (pic, above). Ratan Tata (2nd from left) after the deal

1940 1950 1960 1970 1980 1990 2000 2010

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HISTORY LESSON

1907 saw a split in the Congress at its Surat session, following growing differences between moderates and radicals. The moderates retained control, but the movement was weakened

Tata Steel has come a long way from the 1950s, when it made more than 70 per cent of the country's steel and yet had to ration it out, partly because of the artificial shortages during the licence raj. Because the industry was protected, there was little incentive to improve technology. The open-hearth process for making steel, which Indian companies all used, took eight hours or more. But there was an alternative that took just 40 minutes. It involved injecting oxygen into molten iron to purify it into steel.

One momentous morning in 1980, the company's top metallurgists, including J.J. Irani, who retired as a non-executive director of Tata Steel in June 2011, met J.R.D. Tata in Mumbai, to discuss the best way to inject oxygen. The top-blowing method did not allow the gas and molten metal to mix well, while the bottom injection method was a maintenance nightmare, as the heat often damaged the vessel holding the iron.

Managing director Mody was not present. Tridibesh Mukherjee, who became deputy managing director in 2001, recalls in his epilogue to Tata Sons Director R. Gopalakrishnan's book *The Case of the Bonsai Manager* that Tata listened to the engineers for 45 minutes. Then he sent them off to the centenary match between the MCC and India, while he thought things over.

That afternoon, he declared that Tata Steel would go with the top-blowing method, but keep its options open on bottom injection, in case the technology improved in the future. As it happened, it did; a method was developed that combined both approaches. Thanks to Tata's prescience, adopting it was easy. "I learned that the leader has to go beyond technical knowledge, and the process of doing so is serious listening... and directed thinking," Mukherjee told *Business Today*.

1903. Braving jungles, intense heat and untold hardship, three intrepid pioneers set out on a voyage of discovery.

1907. At Sakchi the search ends. And India's industrial renaissance begins.

1907-1982

What benefits the people, benefits the nation. TATA STEEL

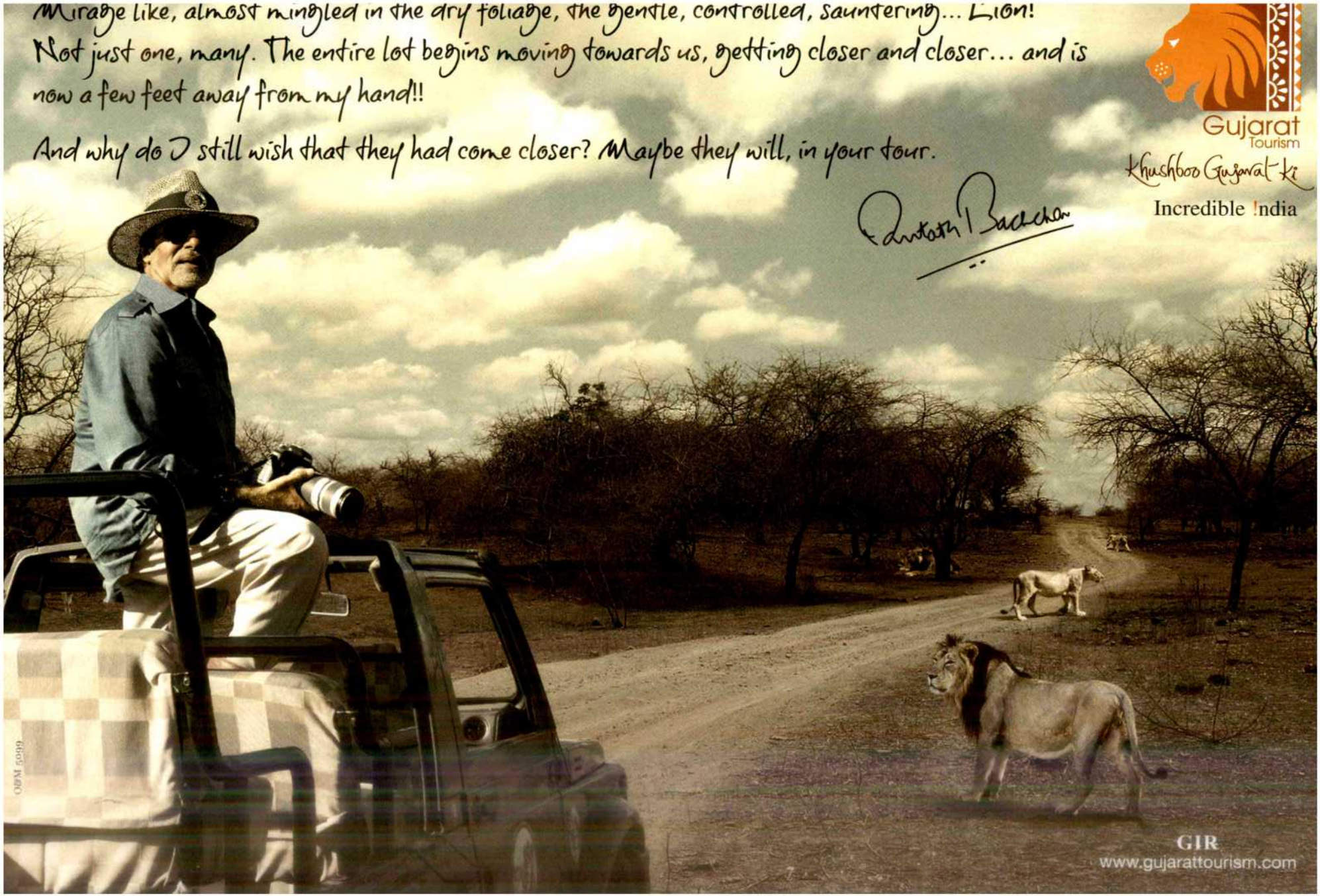
Memorabilia: A TISCO share certificate (top); a 1982 advertisement (middle); J.R.D. in front of J.N. Tata's statue in Jamshedpur (bottom)

The company has seen its share of turbulence. V.G. Gopal, president of the Tata Workers' Union, was murdered on October 14, 1993. The next day, J.R.D. Tata, who was in Geneva at the time, sent a telegram to convey his condolences. This would be the last written communication by Tata, who died less than seven weeks later.

"Good industrial relations are what got us here," says current union president Raghuram Pandey. "You have heard Ratan Tata speak about Corus managers' time consciousness. At Jamshedpur, we've never looked at our watches when there was work to be completed."

While Jamshedpur is a pillar from the past, the future will be more complex. A new plant will come up in Orissa, while Tata Steel Europe is set to cut 1,500 jobs.

Karl-Ulrich Koehler, CEO of Tata Steel Europe, told *Business Today* in December 2010: "A lot of goodwill has been generated internally... because of the parent's support to the European operations through the downturn." This perception will be tested as things get tougher at home and abroad. ◆


Mirage like, almost mingled in the dry foliage, the gentle, controlled, sauntering... Lion!
Not just one, many. The entire lot begins moving towards us, getting closer and closer... and is now a few feet away from my hand!!
And why do I still wish that they had come closer? Maybe they will, in your tour.
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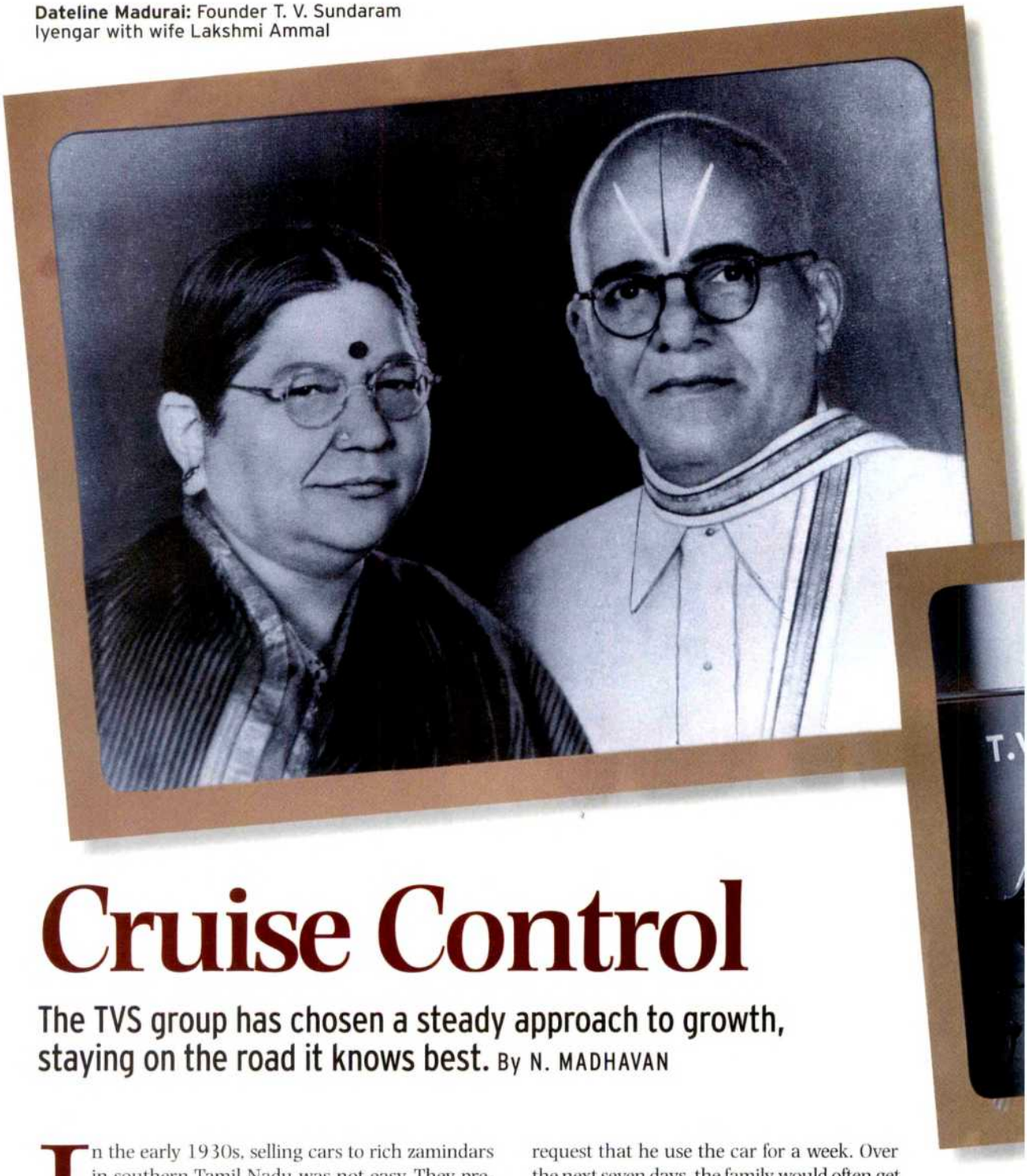
Dateline Madurai: Founder T. V. Sundaram Iyengar with wife Lakshmi Ammal



Cruise Control

The TVS group has chosen a steady approach to growth, staying on the road it knows best. By N. MADHAVAN

In the early 1930s, selling cars to rich zamindars in southern Tamil Nadu was not easy. They preferred horse-drawn carts. T.V. Sundaram Iyengar & Sons, or TVS & Sons, which had bagged a General Motors dealership, decided to drive its message home quite literally. A Chevrolet car, complete with chauffeur, would be sent to a zamindar's house, with a request that he use the car for a week. Over the next seven days, the family would often get used to the comfort and status the car gave them, and end up buying one. The company also invited the local elite to arrive in their horse-drawn carts and drive out in a car. Such precursors of the exchange offer and the test drive were not the only things TVS & Sons

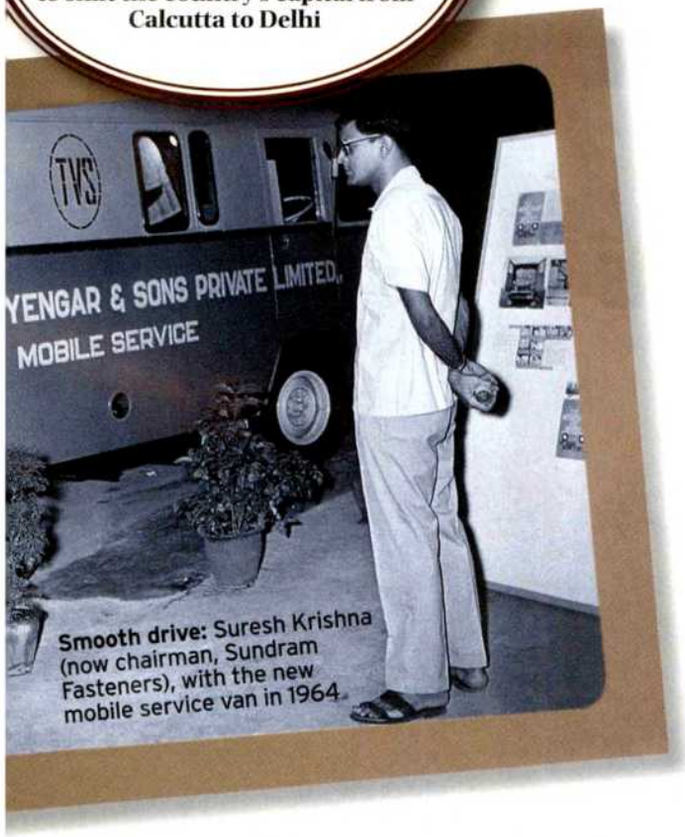
pioneered. After the car was sold, the dealership kept a record of its performance, periodically interacted with old customers and ensured complaints were addressed in 24 hours. In the 1940s, it even launched a mobile service facility to go to the customer's doorstep.

TVS, established in Madurai in 1911, did not cater only to the rich. Indeed, its first business, started in 1912, was a rural transport service. TVS went the extra mile to ensure buses ran on time. One measure to minimise delays was to fit a special vehicle with heavy-duty magnets underneath. The magnets would pick up nails and bits of horseshoe, left behind by horses and bullocks along the route, and reduce the risk of delays due to punctures.

A century later, customer satisfaction and employee welfare continue to be the cornerstone of the group, which is now run by T.V.S. Iyengar's great-grandsons. TVS & Sons

HISTORY LESSON

1911 saw the last of the three Delhi durbars, where King George V announced the decision to shift the country's capital from Calcutta to Delhi



Smooth drive: Suresh Krishna (now chairman, Sundram Fasteners), with the new mobile service van in 1964

1911: TVS & Sons is established in Madurai, Tamil Nadu

1912: The company starts its first business, a rural bus service

1919: TVS forays into vehicle sales, service and spare parts. (Pic, right) A mangled car sent for servicing

1929: Bags dealership for General Motors

1943: The company designs a unique plant that runs on charcoal gas instead of petrol (pic, right)

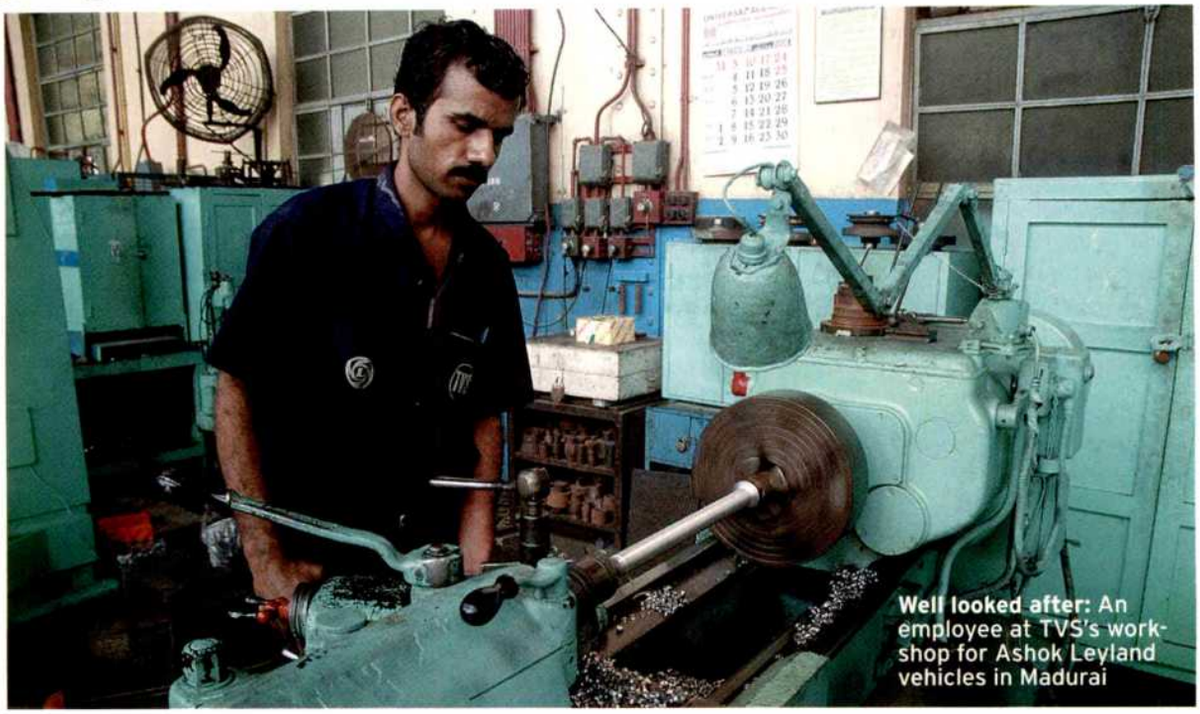
1954: Sundaram Finance is floated to finance buses and trucks

1960: The group sets up Wheels India in Chennai, and starts making car parts

1969: The transport service is nationalised

1996: The group enters the logistics business. By 2004, it would be hived off as a separate company

2011: At age 100, the TVS group consists of 40-odd companies, with more than 25,000 employees and aggregate revenues of over $4 billion



Well looked after: An employee at TVS's workshop for Ashok Leyland vehicles in Madurai

is the holding company of the group, and still runs the group's dealership and spare parts distribution businesses.

Each generation of the family has left its mark on the group, which is now a $4-billion (₹17,936 crore) conglomerate that makes two- and three-wheelers and car parts, and has a strong presence in logistics and financial services. Founder T.V.S. Iyengar, a lawyer, gave up two comfortable jobs – in Indian Railways and at a bank – to pursue his entrepreneurial passion. He laid the foundation of the company both in terms of the business and the values that guide the group.

Efficient: Car service centre in Madurai

The group, which until 1960 was engaged in services – rural transport, car dealership, auto parts distribution, vehicle insurance, and auto finance – ventured into manufacturing with the second generation, consisting of T.S. Rajam, T.S. Krishna, T.S. Srinivasan and T.S. Santhanam. "We began talking to joint venture partners in 1959 to make auto components," says H. Lakshmanan, Executive Director of Sundaram Clayton, who has been with the group for 58 years (having joined in 1953 at age 20). "Wheels India was set up in 1960, followed by Sundaram Clayton, Brakes India and Lucas TVS."

The third generation focused on quality management. The first three Indian companies to win the prestigious Deming prize, awarded by the Union of Japanese Scientists and Engineers, were from the TVS group. "Total quality management reinforced TVS values of trust, loyalty and quality, and employees could relate to it easily," says Venu Srinivasan, chairman and managing director of TVS Motor. He and his cousins also made their business global. TVS Motor set up a factory in Indonesia, Sundram Fasteners started one in China, and they bought companies in Germany and the UK. The fourth generation, which is taking over now, will be tested on its ability to consolidate and to fuel growth.

The group has sometimes been called conservative, for sticking to the automotive space and passing up opportunities elsewhere. "We are not after money," says Suresh Krishna, Chairman and Managing Director of Sundram Fasteners. "Our dharma is to... add value to the nation and to the stakeholders in it." Perhaps it is this approach that has kept the group free from controversy. ◆

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Bankable Stars

PNB and BoB have been the best performers among banks that have completed a century. By ANAND ADHIKARI and SHALINI S. DAGAR

Allahabad Bank
Founded in:
1865

Punjab National Bank
Founded in:
1895

Sifting through the listed 100-year-old companies to pinpoint the ones still going strong, *Business Today* came across quite a few banks that have been around for just as long and more or less in their present identity. (That excluded State Bank of India, or SBI, the biggest, which in its present form can at best go back to 1921, and Imperial Bank.)

Who was Mahatma Gandhi's banker? Or, Jawaharlal Nehru's, Lal Bahadur Shastri's or Indira Gandhi's? The honour in all four cases goes to the 117-year-old Punjab National Bank, or PNB. The Jallianwala Bagh Committee was also one of its eminent clients.

Founded in 1895 in Lahore – now in Pakistan – as an offshoot of the swadeshi movement, PNB was the first to be launched with Indian capital – owned, operated and managed by Indians. Freedom fighter Lala Lajpat Rai was closely associated with the management of PNB in its early years.

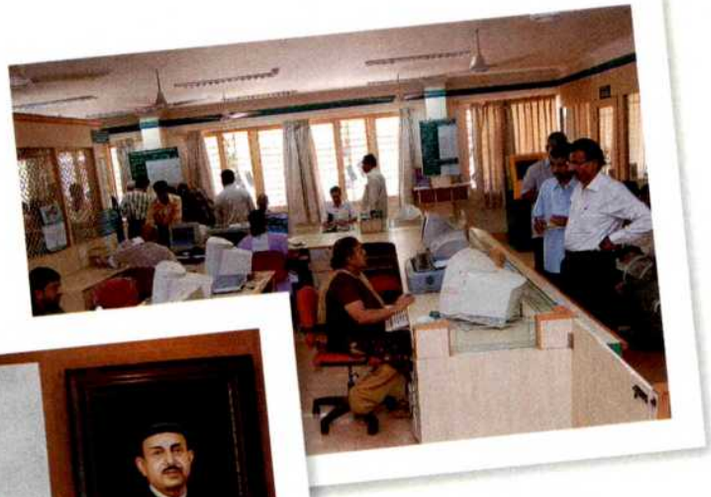
Among other founders were Sardar Dyal Singh Majithia, Lala Harkishen Lal, Lala Lalchand, Kali Prosanna Roy, E.C. Jessawala, Prabhu Dayal, Bakshi Jaishi Ram and Lala Dholan Dass.

PNB has had its share of trauma, from the banking industry crisis of 1913 to 1917 – when as many as 87 Indian banks folded up – and the severe depression of the 1930s, to the tumult of the freedom movement and Partition. Shortly before the Partition riots broke out, PNB relocated its headquarters to Delhi.

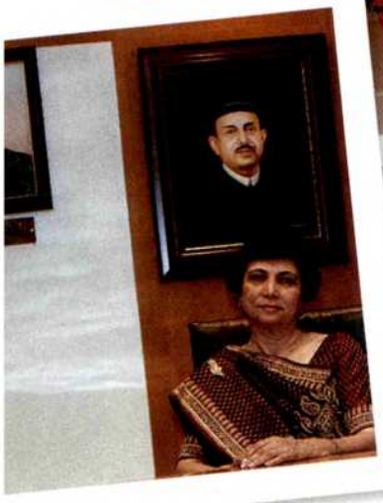
PNB can truly say it has been there and done that: way back in 1939, it made its first acquisition: the Bhagwan Dass Bank. It has made eight acquisitions in all, some dictated to it by the government, which took over the bank following the nationalisation of banks in 1969.

"Whenever opportunity has arisen, we have been there," says K.R. Kamath, PNB's Chairman and Managing Director, or CMD, today.

Kamath came to PNB from Allahabad Bank, the oldest bank in the country. He was initially amazed by PNB's culture of systems and processes. He learnt, for instance, that the bank had a well thought-out risk management system in place. It had



Bank of India, Canara Bank and Corporation Bank
Founded in:
1906



Central Bank of India
Founded in:
1911

appointed an external auditor in the very second year of its existence, at a time when the concept of auditing did not exist. "A strong culture of corporate governance was imbibed in the early stages of the bank," says Kamath. "Even today our risk management systems are among the best in public sector banks."

Kamath says he has no worries about PNB's future. It is among the best performing banks in India. "We will maintain our position and reach out to customers," he says modestly. As the second-ranked bank after SBI by size of total business – rival ICICI Bank says it is bigger – PNB also has one of the highest net interest margins among Indian banks.

If PNB was set up in a burst of swadeshi pride, Bank of Baroda, or BoB, was the initiative of an enlightened ruler, Maharaja Sayajirao Gaekwad III of Baroda, who ascended the throne in 1881. At the time, rulers of most princely states were busy amassing personal wealth. But Sayajirao initiated steps towards setting up a sugar factory, a cotton mill and a tile manufacturing unit in his kingdom. He also realised trade and commerce could not flourish without a financing agency.

Thus, in 1884, was born the

EVENTS THAT SHAPED THE 100-YEAR-OLD BANKS

1850: The Union Bank was the only banking company to receive legislative sanction

1865: Banking companies flourish due to cotton boom, but a crash later wiped out many companies

1913: Unchecked expansion of banks leads to a crisis; 87 banks failed between 1913 and 1917

1935: Establishment of RBI with powers to regulate currencies and money supply

1949: Banking Companies Act passed to provide a more satisfactory definition to a banking concern

1960: Sweeping powers to RBI to order moratorium on banks

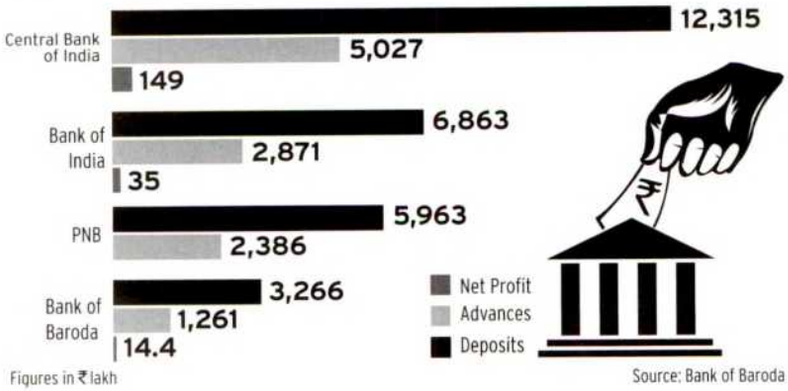
1963: Fresh statutory provisions were added to diffuse the control and restrict the hold of business houses over banking firms

1969: Fourteen major banks nationalised

1980: Six more banks nationalised

1993: RBI permits setting up of new banks in the private sector; the birth of ICICI Bank, HDFC Bank

Banking Leaders, Circa 1947



Figures in ₹ lakh

Source: Bank of Baroda

Baroda Pedhi Company. But Sayajirao soon realised it was undercapitalised and functioned more like a moneylending agency. But Baroda's business climate was by now attracting banks from other states. The Bank of Bombay rushed in with an offer to set up a branch. The Maharaja, however, was put off by the proposed riders: Baroda state would have to put in an interest-free deposit of ₹3 lakh and transfer its treasury to the branch.

Another Bombay-based bank, Indian Specie, made a slightly better offer and nearly won the Maharaja over. But credit deposit fears ruled even then: what if Indian Specie sucked out Baroda's money and lent it to businesses in Bombay?

Sayajirao visited Europe and the United States frequently, and during one such visit in 1906 to the US, he met one Ralph C. Whiteneck, whose ideas impressed him. The Maharaja invited Whiteneck to join his government as an economic advisor. Whiteneck drafted a 25-page report on the basis of which BoB came into existence, with a paid up capital of ₹10 lakh.

Apart from the Maharaja himself and Whiteneck, others who played key roles in setting up BoB were Sampatrao Gaekwad, Vithaldas Thackersey, Tulsidas Kilachand and N.M. Chokshi.

By 1913, it had four branches outside Baroda, including two in British India, at Ahmedabad and Surat. It admirably weathered both the banking crisis of 1913 and the Great Depression of 1929.

Anil Kumar Khandelwal, who joined the bank in 1971 as a probationary officer and retired as its CMD in 2008, says: "By 1947, the bank was big enough to be among the country's top five banks."

BoB was also a pioneer in moving overseas: it took its first step abroad in 1953, with a branch in Mombasa, Kenya, then a hub of Indian enterprise. Eight years later, it landed in Fiji. Today, it has a footprint in 26 countries, with branches abroad accounting for nearly a quarter of its revenues. Khandelwal himself opened a record 11 such branches in a single year in 2007. He recalls how a Fiji minister corrected him when he referred to BoB as a foreign bank. "You are very much a part of us. You are more local than foreign," the minister said.

"We are seen as a local bank in many of the east African countries, where we have been present for more than 60 years," says M.D. Mallya, BoB's current CMD.

In 1969, when the government nationalised over a dozen banks, including BoB, it had the largest number of foreign branches after SBI. In the mid-1980s, it was quick to find growth in mass banking, merchant banking, housing finance, credit cards and mutual funds.

Three years after the Harshad Mehta scam, when the capital market was depressed, BoB pulled off another coup. It floated a ₹850-crore public issue that was oversubscribed.

However, the real growth has come in the first decade of the current century. The total business has jumped from ₹1.25 trillion (one trillion equals 100,000) in 2004/05 to ₹5.45 trillion in 2010/11. Says Mallya: "The entire edifice of the corporation rests on governance. That is a unique feature in Bank of Baroda's history." ◆

Bank of Baroda's founder: Maharaja Sayajirao Gaekwad III

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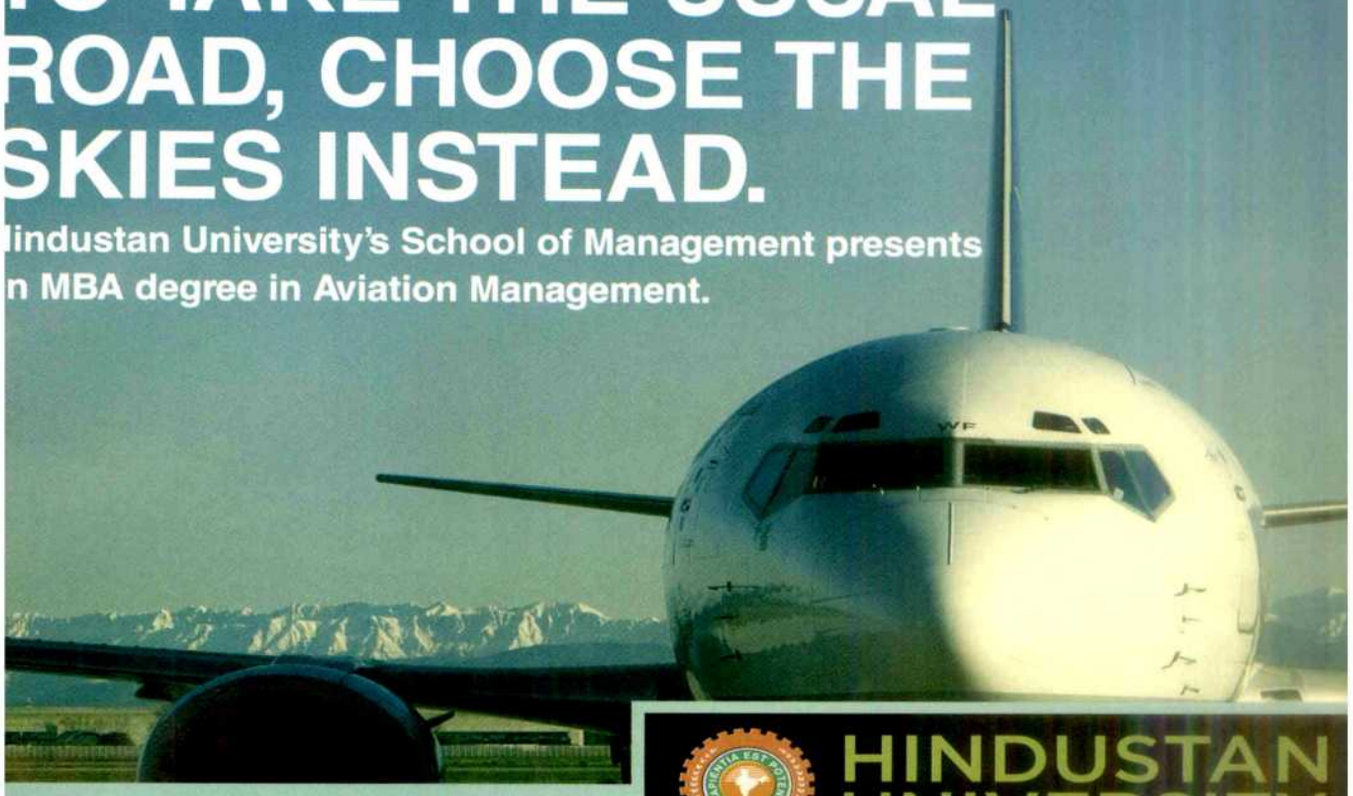

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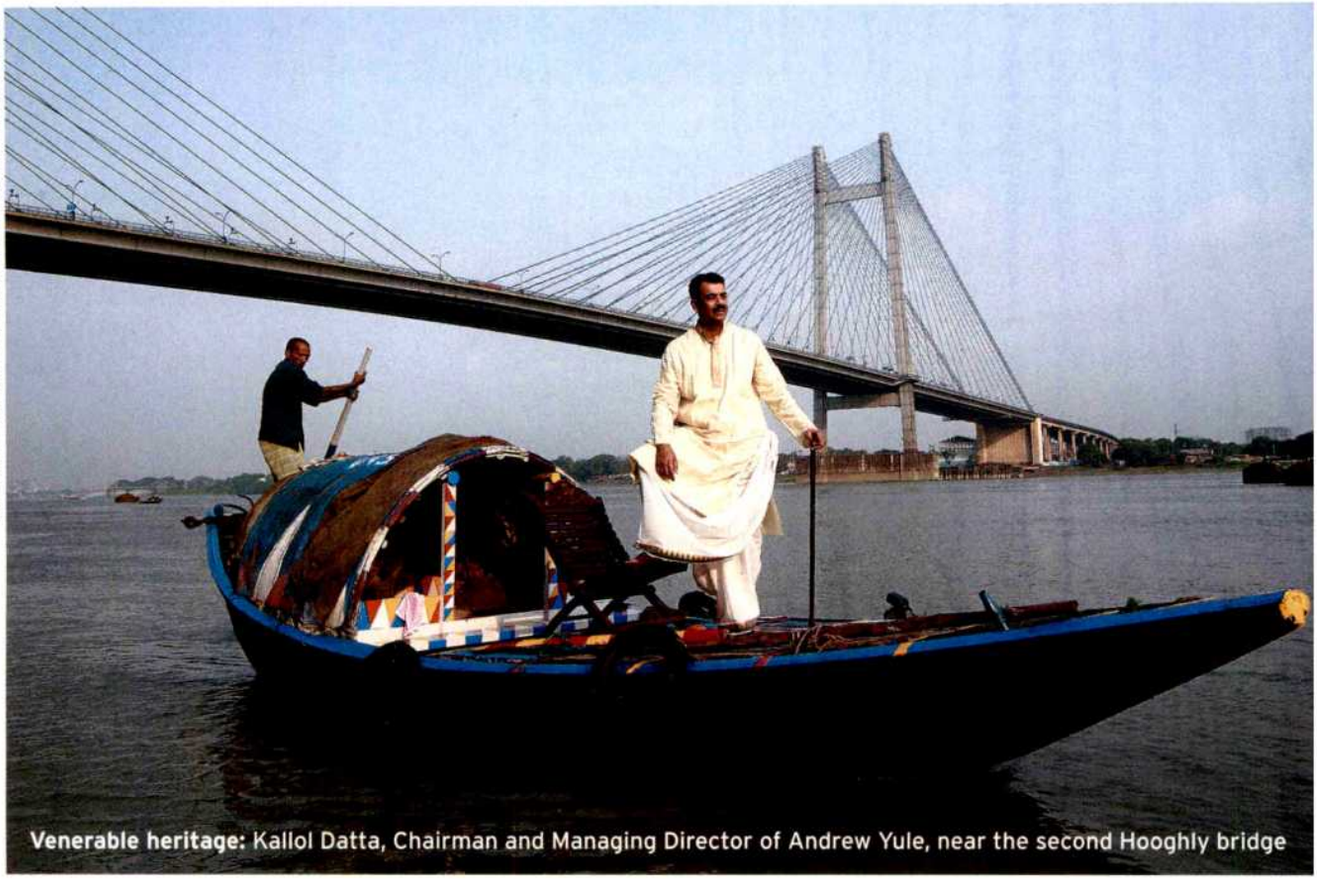

Venerable heritage: Kallol Datta, Chairman and Managing Director of Andrew Yule, near the second Hooghly bridge

Once Upon a Time...

Many historic companies have weathered technological and political upheavals. Others have been less fortunate. By SOMNATH DASGUPTA

The diversity of India's corporate history, as reflected in the preceding pages, would be incomplete without the mention of managing agencies, tea companies and many others. Not all of them still exist, but many are instantly recognisable names. There was a time when they were familiar to stockbrokers in London and swadeshis determined to show their business mettle – names such as The Assam Company, Andrew Yule, Williamson Magor, Harrisons Malayalam, Bengal Chemicals, and His Master's Voice. The biggest were managing agencies, holding companies that ran dozens of businesses.

One example is Andrew Yule, founded in 1863, which managed 37 companies, including tea gardens, power utilities, jute mills, coal mines, a railway, and a steamship company. The first copy of independent India's Constitution was printed on paper specially made by India Paper Pulp, a Yule subsidiary.

In 1902, Andrew Yule even took over the zamindari of Midnapore, spread over 6,216 sq km, promoting forests, fisheries and agriculture. The Midnapore Zemindary Company was an example of the Yule family's business acumen: they acquired it when the advent of synthetic dyes killed the group's flourishing indigo business.

The Tatas, too, were an example of a successful managing agency, and ran Tata Iron & Steel as agents till the concept was abolished in 1969. In 1913, on the eve of World War I, there were at least a dozen such agencies, including Shaw Wallace, Duncan, Octavius Steel, Williamson

Magor, Balmer Lawrie, and Gillanders.

Andrew Yule lost its zamindari after Independence, but remains a thriving government-owned company (profit of ₹41 crore on revenues of ₹240 crore). Chairman and Managing Director Kallol Datta says it was not nationalised the usual way: the government bought out the British shareholders in 1974.

According to Abhrajit Kumar Sengupta, financial consultant to the Bengal Chamber of Commerce and Industry, or BCCI, and a former Yule official, the managing agencies model reached its peak between 1950 and 1969. "Before Independence, they were interested only in merchandising, not in business," he says. After 1947, they wanted to move the capital out to non-resident holders, which is when the government put an end to the system.

While many managing agencies ran tea estates, the world's oldest commercial tea company, The Assam Company, was founded in London in 1839, based on the success of a Briton who brought the tea plant to Assam. While the initial focus was on tea, its founders knew Assam also had lime, coal, and oil, and did not want to limit their business options. So the word "tea" was kept out of the name. Today, its registered office is in a modern building on Kolkata's Chowringhee, next to Bishop's House, a building even older than the company (it was built in 1814). The company, which is also engaged in oil exploration, is now in Indian hands.

Many foreign companies and managing agencies were taken over by Marwaris who had made Calcutta their home since the early 19th century. Ghanshyam Das Birla took on the Scots who ruled the jute business. Brij Mohan Khaitan, partnered Williamson Magor, the largest tea group, and came to control it. The Khaitans own Eveready Industries, maker of tea and batteries.

The freedom struggle spurred Indian entrepreneurs, who wanted to prove that business success was not just a Western domain. Bengal Chemical & Pharmaceutical Works, India's first drugs company, started in 1893, has faded into obscurity. Bengal, the crucible of India's pharmaceutical industry, today has no big names in the field. Hari Vasudevan, director of the Maulana Abul Kalam Azad Institute of Asian Studies in Kolkata, says that one reason Bengal played no role in the industry's expansion in recent decades may be that bigger companies were nationalised, leaving smaller ones to fend for themselves in a state whose government was not as helpful as those elsewhere. Government initiatives, such as Hindustan Antibiotics in Bangalore and Indian Drugs & Pharmaceuticals, which had a factory in Hyderabad and headquarters in Delhi, promoted foreign technology, but only in those regions.

In the case of music legend HMV, now Saregama and part of the RPG Group, technology shifts have almost killed the business – but not the name. The factory that made vinyl records no longer spews smoke into the sky over Dum Dum, on the outskirts of Kolkata. It now houses studios for television programmes. The audio recording studio can still be hired for a song, and for the chance to play the piano that iconic director Satyajit Ray used to compose music for his movies.

"Two events – 1911, when the capital moved to Delhi, and the abolition of the managing agency system – marked the shift of power to Delhi," says P. Roy, director general of Kolkata-based BCCI, whose grand office is lined with vintage bookshelves. BCCI, incorporated in 1850 as the Bengal Chamber of Commerce, added "industry" to its name in 1950, as the shift to manufacturing changed the character of its membership. Its origins, in the Calcutta Chamber of Commerce, a traders' body started in 1834, make it India's oldest such organisation. Today a regional body, it spawned what later became the Delhi-based Confederation of Indian Industry, and promoted the Associated Chambers of Commerce & Industry of India.

The shift away from Calcutta is clear. Mumbai is India's commercial capital. Delhi houses the major industry lobbies and attracts more migrants than Mumbai did in the 20th century. Who knows what tomorrow will bring? ◆

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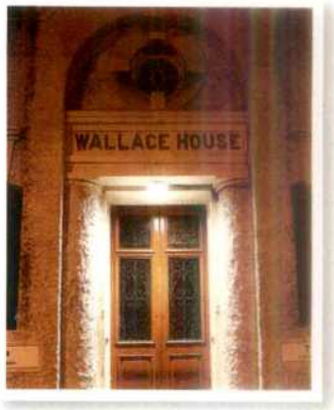
Pieces of history: Wallace House, Kolkata; recording studio at Saregama's Dum Dum factory; and HMV's trademark, a painting of Nipper the Dog listening to a phonograph.



Grandpa of Them All

Jessop was started the year Britain started colonising Australia.

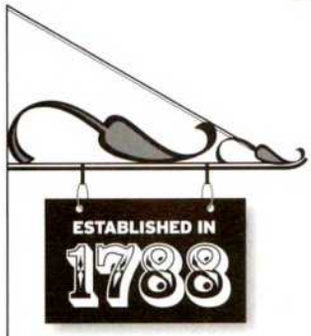
By SUMAN LAYAK

First of its kind: Jessop's factory at Dum Dum, Kolkata, which was set up in 1788

Jessop & Company has a 223-year-old history, giving it a list of "firsts" that very few can match. It claims to be the oldest engineering company east of the Suez, and there aren't many around to contradict its claims. If 1788, the year when this company was started, does not ring a bell, think Australia. That was the year when Britain began the colonisation of Australia with convicts, the first batch landing in January that year. It is also the year when the US Constitution came into effect as the requisite number of states ratified it.

"I consider Jessop to be a part of India's engineering heritage. It built the first iron bridge in the country at Lucknow, built the first boiler and the Howrah Bridge. The list can go on and on," says Pawan Kumar Ruia, the chairman of the Ruia Group, which bought the company in 2003 through a disinvestment deal.

The beginning was different though – as Breen & Company, in 1788. Then in 1820, Henry and George Jessop, sons of William Jessop, acquired Breen & Company on behalf of Butterfly Company established in Derbyshire, England, in 1790 by the senior Jessop. Butterfly and Breen were merged together to become Jessop & Company. Corporate history jumps to 1973 when it was nationalised and then in 1986 it was placed under Bharat Bhari Udyog Nigam, an omnibus holding company created for sick heavy engineering units. It remained a loss-making company till it was divested and Ruia actually bought it for just ₹18 crore in 2003.



1788: Breen & Company is founded

1820: Company merges with Butterfly Company and is renamed Jessop & Company

1973: Company is nationalised

1988: Celebrates 200 years of existence

2003: Jessop is divested, P.K. Ruia (in photo) takes over

Ruia now claims to have turned it around and says Jessop & Company started earning profits from 2004/05 and has been paying dividends from the next year. The company is listed on the Calcutta Stock Exchange, but is barely traded. With a turnover of ₹310 crore and a net profit of ₹23.79 crore, the company is looking at listing on other exchanges too.

The company is now looking at a broader infrastructure play. Ruia says: "The various segments of manufacturing at Jessop & Company outstretches into infrastructure zones, be it in the railway rake or wagon manufacture, or in the production of road rollers, or in the technical knowhow of building bridges, water-control gates and more." All these are part of the infrastructure sector. "The latent possibilities in Jessop & Company applications have grown manifold. The possibility of turning the capabilities into a fully integrated infrastructure company is our priority." ◆

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'My Objective and My Company's Objective Is to Be Future Ready'

YOGESH CHANDER DEVESHWAR *has been with ITC for nearly 43 years, the past 15 as chairman and chief executive. Having turned ITC into a multi-product company no longer synonymous with cigarettes, he is seeking a five-year extension during which a successor will be anointed. In a candid interview with* **CHAITANYA KALBAG**, *he talks of ITC's future-ready status, government policies that are affecting its most ambitious initiative for rural India, and more. Edited excerpts.*

Full transcript of the interview at
www.businesstoday.in/deveshwar

On the cultural aspect in ITC that holds the team together

See, firstly when the shareholding gets dispersed and there is no single dominant shareholder then the consequence is that the ownership gets divorced from management. So in our case the professional character... is facilitated by the dispersal in shareholding so that it has become a totally board-managed company. Of course, that was not the case in the past. Obviously, the professional management that runs this enterprise and is accountable to the board has to continue to perform and performance is the only basis through which you could continue to wield the power over the resources that are made available to you to create value.

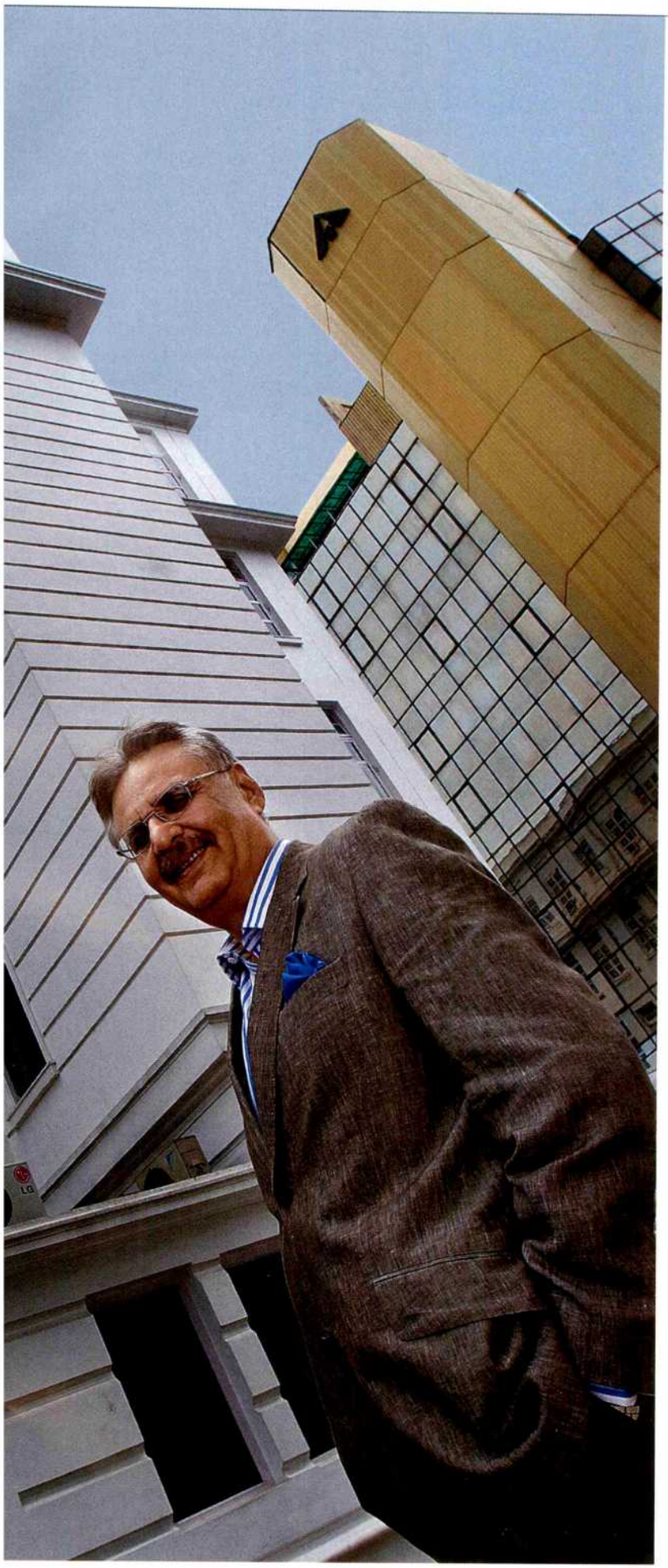
On how ITC retains talent despite being in a competitive business.

The thing is, in ITC, we stand apart as a professionally managed company. Anybody who joins today as a pupil or an assistant under training can aspire to be in my place. It is a meritocracy...

And, of course, we are not the best paymasters. I am not the highest paid chief executive in the country nor are my managers the highest paid. But if you look at the compensation in totality, in terms of opportunity, in terms of job enrichment, in terms of expression, in terms of freedom to create and self expression, you would find that people are happier being here than making a faster buck somewhere (else). There is a lot of pride, and pride comes from the kind of value we are creating... We have created livelihoods for tribals... We are a water-positive company, we are a carbon-positive company, we are a waste-recycling-positive company. Almost five million jobs get created out of ITC's businesses. So, when people look at all this, it is a very elevating experience.

On succession planning

There is a nomination committee that meets periodically... In ITC reside a



number of companies. These businesses are run by chief executives and there is a succession plan... And we have created newer businesses, we found chief executives from within to run those businesses. So in a manner of speaking, within one legal entity, we are running almost 13 companies.

We are not necessarily hung up on a particular retirement age, because there are many people who are not on the board, but go on to serve till the age of say 68. For example, our chefs, even at the age of 70, some of them are working, but it is not reported.

On ITC as a green company and benchmarking

Nokia buys their entire packaging from us... Tatas buy their entire copier paper from us. This is the greenest paper in India. Now, ITC-prefixed hotels at the luxury end are all LEED Platinum-rated hotels. This is the only chain in the world where all the hotels in the chain are LEED Platinum rated.

On the government's ambivalence on tobacco

Do you know that tobacco consumption in India is growing, but the share of cigarettes in the tobacco basket has declined? Media and everybody, when they talk about tobacco, they show cigarettes and talk about cigarettes and they have never talked about the other forms of tobacco. As a result, all the restrictions, taxation, everything came on cigarettes. So silently, other forms of tobacco consumption like chewing tobacco have grown by leaps and bounds. Recently, the government did a survey... and they found that 80 per cent of the cases of cancer are relatable to chewing tobacco. Therefore, 20 per cent is from smoking. Within smoking, *beedis* outnumber cigarettes by nine (to one). And their delivery of tar and nicotine is much higher, you know... And we are

Sivashis Mullick/www.indiatodayimages.com

the lowest per capita consumers of cigarettes in the world. Only 99 cigarettes per capita versus 2,500 cigarettes in Japan and almost 2,000 cigarettes in the US... assuming we gave up doing cigarettes, they will all be smuggled... So, it is not an objective of ours to abandon this, or it should not be an objective of the government to ban it, because if it does, it will lose revenue and also encourage smuggling.

transparent... Within those, how much is biscuit, how much is *atta*, snacks, Bingo, how much is Yippee noodles, how much is Candyman – those we haven't sort of split up because at the end of the day, we are only conforming to the legal requirements of disclosure. We don't want to give disclosures that help our competitors to compete better with us.

For example, today we are the biggest in *atta*. We are no. 1.

Committees] Act that was done by the Centre and recommended to the states to amend their acts similarly. But some of the states have not gone the whole hog, but gone halfway and converted into a permit licence raj. They give you three-month permits to do things!

That is why, you know, innovation of that magnitude that could have transformed India's rural landscape has got stymied, because we

I am not the highest paid chief executive in the country nor are my managers... But people are happier being here than making a faster buck somewhere else

On BAT's influence in ITC

The relationship has been very cordial. Barring that period in 1995-96, when there was disquiet... this company almost sank in that period... (Then) they wanted to take over the company! That was the cause of the battle. After that I must give them credit they have begun to respect ITC as a professional, board-managed company.

On ITC in BAT's bottom line

Our market capitalisation is about $31 billion and their market capitalisation would be around $70 or 75 billion. We are a fairly sizable enterprise. In those days we were tiny. For example, in the year that I took over, the bottom line was ₹250 crore. Today it is ₹5,000 crore. The top line was ₹5,000 crore. Today it is ₹26,000 crore.

On disclosing results for businesses within segments

Our FMCG results are declared separately. Our FMCG top line is about ₹5,000 crore, other than cigarettes, and this has been achieved in double quick time. We have only recently started. So, all these numbers are

Everybody knows that. Our objective is in aggregate, we want to be the biggest. In each of these we cannot become the biggest because you know, that will be a tough call but maybe one day...

On corruption and licence raj

That is why some of our growth tends to be slower and that is why we have chosen branded fast moving consumer goods as an avenue of growth because I don't have to get a mining licence, don't have to get spectrum, I don't have to get those kinds of things. If the consumer likes my product... I can even outsource my production, the formula can be mine. Someone else can produce under my supervision. So to that degree it is a safer thing for a professional enterprise like ITC. But I agree with you, you know, even then we have not yet abolished completely the licence-permit raj.

On problems in the e-choupal business

Even in the area of e-choupal, the way we operate, we have been enabled through the amendment of the APMC [Agriculture Produce Market

are not able to operate with that much freedom... Periodically, they re-impose the Essential Commodities Act. If you are going to operate with the farmers and you promised that you will buy at the farm gate, if there is an Essential Commodities Act, then you cannot store. Therefore we cannot buy! So it gets into the hands of the middlemen who are able to manage the laws... After all wheat is grown and marketed for only four months in a year, but it is consumed for 12 months a year. So if ITC can't procure from the farmer, then somebody else will procure and store... And make a cool buck on it!

On changing things

People who have power in this country appreciate what I am saying. But these are the limitations of coalition governments. So I am told. I can understand that too. Because at the end of the day, you can see that, you know there is autonomy of coalition partners to the extent that if you want to control anybody... then you have to put the life of your government at stake. And the option (alternative) is not getting any better! ◆

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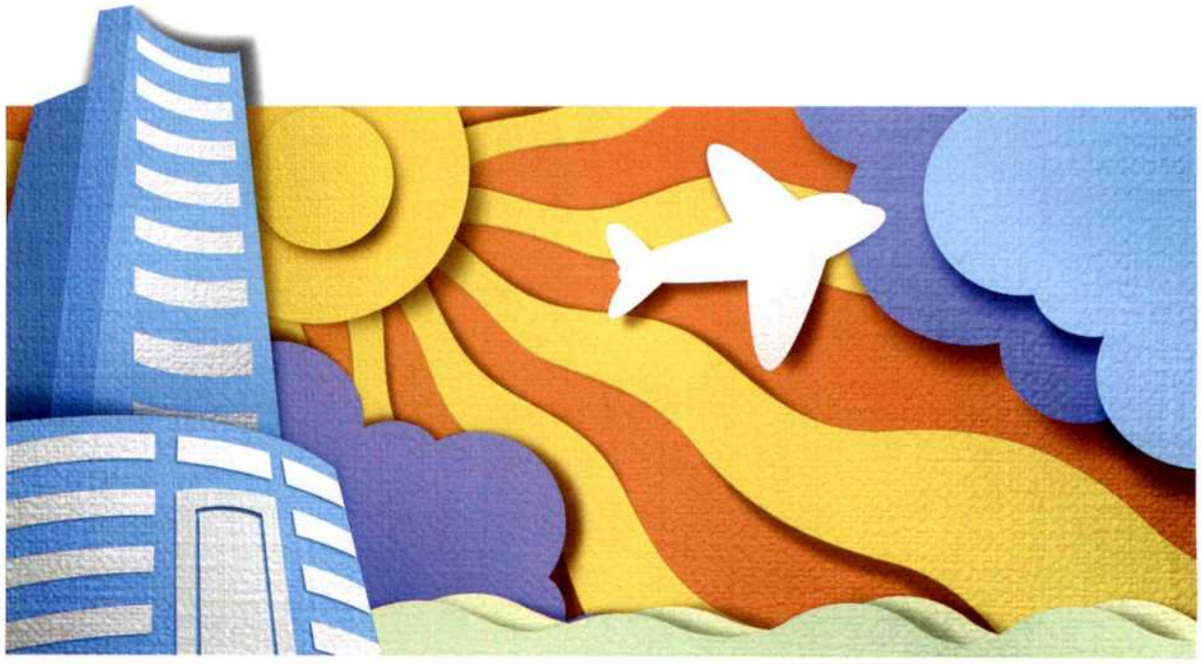

SANTOSH

Seasonal Hot Stocks

Invest in companies whose businesses get a boost from the season.

By RAHUL OBEROI

Early rains have begun but the heat has not yet subsided. The scorching summer – which will persist for some more months – is an endurance test in most parts of the country. But it has its positive spin-offs: summer solutions bring brisk business to companies in the consumer durable space selling cooling appliances, and to travel-related companies, perking up the stocks of the listed companies in these spaces. If you are an equity investor, and you are able to time it right, you can make a neat pile by investing in some summer-demand related stocks that normally register an uptrend between May and October.

Experts feel that both consumer durables and the tours and travel business should do well this season. With early trends indicating a normal monsoon, the economy overall should, despite the hardening interest rates, grow at a healthy rate of eight per cent leading to significant increase in the demand for products and services in these sectors. However, one needs to evaluate the funda-

mental story behind specific stocks before making investments.

Among consumer durables, stocks of air-conditioner and cooler manufacturers such as Whirlpool, Bajaj Electricals, Videocon, Voltas and Blue Star are listed. AC and cooler scrips have around 30 per cent of the weightage for white goods in the BSE Consumer Durables, or CD, index.

Past Record

Since its inception in 1999, the BSE CD index gained on seven occasions during the summer months till 2010 (see *Summer Spike*). During May-October 2010, the BSE CD index surged 1,860 points, or 40 per cent, to 6,544.48 against 45.59 per cent to 6,239.69 during 2010/11. The index gained 1,516 points, or 83 per cent, to 3,348.21 during May to October 2009 against a full-year growth of 153 per cent to 4,220.71 during 2009/10.

"Season-related products, particularly ACs, refrigerators, fans and coolers are in high demand for obvious reasons," says Sudip Bandyopadhyay, managing director and CEO, Destimoney Securities. "With increased prosperity in semi-urban and rural areas, coupled with generally increasing income and aspiration levels, consumer durables stocks are expected to perform well on the back of increased demand." Bandyopadhyay adds that these stocks could get a boost towards the end of the summer season as well due to festive rush.

According to a McKinsey Global Institute, or MGI, study titled *Bird of Gold: The Rise of India's Consumer Market*, the total consumption is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth, while rural consumption will grow by 32 per cent by 2025.

"Overall, the country has witnessed decent hikes in salary across various sectors such as IT and pharmaceuticals. This can lead to a rise in purchasing power of consumers, which can help the consumer durables segment to remain firm," says Vikrant Kashyap, Research Head, Equity, Stop Loss.

During May to October 2010, Whirlpool soared 62.12 per cent to ₹300.25, followed by Voltas (37.95 per cent to ₹245.20), Bajaj Electricals (20 per cent to ₹271), Blue Star (10 per cent to ₹454.10) and Videocon (nine per cent to ₹253.15).

In 2008, however, due to the global financial crisis, all consumer durables majors failed to perform. For example, Whirlpool's share prices dipped 24 per cent from ₹48.45 to ₹36.80. Videocon's scrip dipped as much as 68.42 per cent from ₹378 to ₹119.41 during May-October 2008. On April 28, 2011, Whirlpool and Videocon were trading at ₹281.15 and ₹189.80, respectively.

Demand for summer-related products are seasonal or cyclical. Alex Mathews, head of research at Geojit BNP Paribas Financial Services, says: "Different strategies should be adopted while investing in cyclical stocks. Most of the stocks' performances are positively correlated with the economy, and hence during a crisis they dip heavily."

"For a short-term investment, Voltas and Bajaj Electricals can be good picks," says Rajesh Jain, Executive Vice President and Head of Retail Research, Religare Securities.

Demand for consumer-related goods has remained buoyant as evident from the use-based break-up of the index of industrial production, or IIP. The pace of growth of consumer durables and intermediate goods in the IIP remained steady in February at 23.4 per cent (23.3 per cent in January) and 8.4 per cent (8.3 per cent in January), respectively. The growth of basic goods and consumer non-durables eased somewhat in February to 5.9 per cent (from 7.6 per cent in January) and 6.1 per cent (from 7.7 per cent in January).

Market experts believe that before investing in consumer durables goods investors should look into the company's distribution

RACHIT GOSWAMI

"Towards the end of the summer season, festivals stimulate incremental demand for consumer durables"

Sudip Bandyopadhyay, MD & CEO, Destimoney Securities

Summer Spike

Since its inception in 1999, the BSE CD index gained in seven of the 11 years till 2010

YEAR	MAY	OCT.	CHANGE(%)
1999	1,184	1,452	22.58
2000	929	831	-10.54
2001	574	492	-14.12
2002	743	669	-9.96
2003	652	946	45.10
2004	1,010	1,178	16.62
2005	1,563	2,348	50.13
2006	3,452	3,172	-8.12
2007	3,724	5,283	41.89
2008	4,569	2,073	-54.63
2009	1,832	3,348	82.77
2010	4,685	6,544	39.70

Source: BSE

Source: Ace Equity

strength, the market positioning of its products and the track record and credibility of its management. They should also measure the relative valuation of the company against similar stocks.

Another Destination

During summers, many people surf travel websites or approach travel agents to plan their vacations, which can benefit these companies as well. For tour and travel companies, the summer months are the peak business season as it coincides with school holidays.

Anil Khandelwal, Chief Financial Officer, Cox & Kings, says: "The summer months are the peak holiday season, beginning in April and stretching to July sometimes. These months account for nearly 65 per cent of the holiday bookings of the entire financial year."

Anuj Razdan, Manager, Flight Centre India, an arm of Australia's Flight Centre, says: "We generally experience an upsurge in business to the tune of 40 to 50 per cent during the April to June quarter over the previous quarter. If we look at the industry trends, domestic travel is increasing at about 20 per cent annually."

Not surprisingly, the increased business prospects also result in a buoyant outlook for the stocks. Between May and October 2010, stock prices of travel companies such as International Travel House surged 61 per cent to ₹279.20 followed by Transcorp International (25.33 per cent to ₹72), Cox & Kings (14.61 per cent to ₹564.75).

However, Mega Corporation registered modest gains of 1.74 per cent to ₹1.17, while stocks of Thomas Cook and Trade Wings failed to perform. Thomas Cook and Trade Wings declined 1.41 per cent and 32 per cent to ₹66.65 and ₹131.35, respectively. Stocks such as International Travel House, Mega Corporation and Thomas Cook had also shown strength during May to October 2009 with a jump of 50 per cent, 146 per cent and 29.67 per cent to ₹110.95, ₹1.92 and ₹54.40, respectively.

"While the frontline companies in this segment may be fully valued, investment in stocks such as Transcorp International at current levels is looking attractive," says Bandyopadhyay of Destimoney.

During the June 2010 quarter, Cox & Kings registered net sales of ₹78.64 crore, up 71 per cent, against ₹46.02 crore in the March quarter of the same financial year. Others like Thomas Cook, Trade Wings and International Travel House booked topline figures of ₹80.55 crore (up 60.49 per cent), ₹3.60 crore (up 24.14 per cent) and ₹32.98 crore (up 0.33 per cent), respectively against the March 2010 quarter.

Anand Kuchelam, Vice President, Research, Padmakshi Financial Services, says: "Stocks in this space are likely to do well due to an increase in domestic tourism. Thomas Cook and Cox & Kings are likely to outperform." So, if you are chalking out your plans, investing in some of these stocks might get you back some of the money you will be spending either to protect yourself from the heat or to enjoy a break. ◆

Courtesy: *Money Today*

"Stocks in the travel and tourism space are likely to do well due to an increase in domestic tourism"

Anand Kuchelam, Vice President, Research, Padmakshi Financial Service

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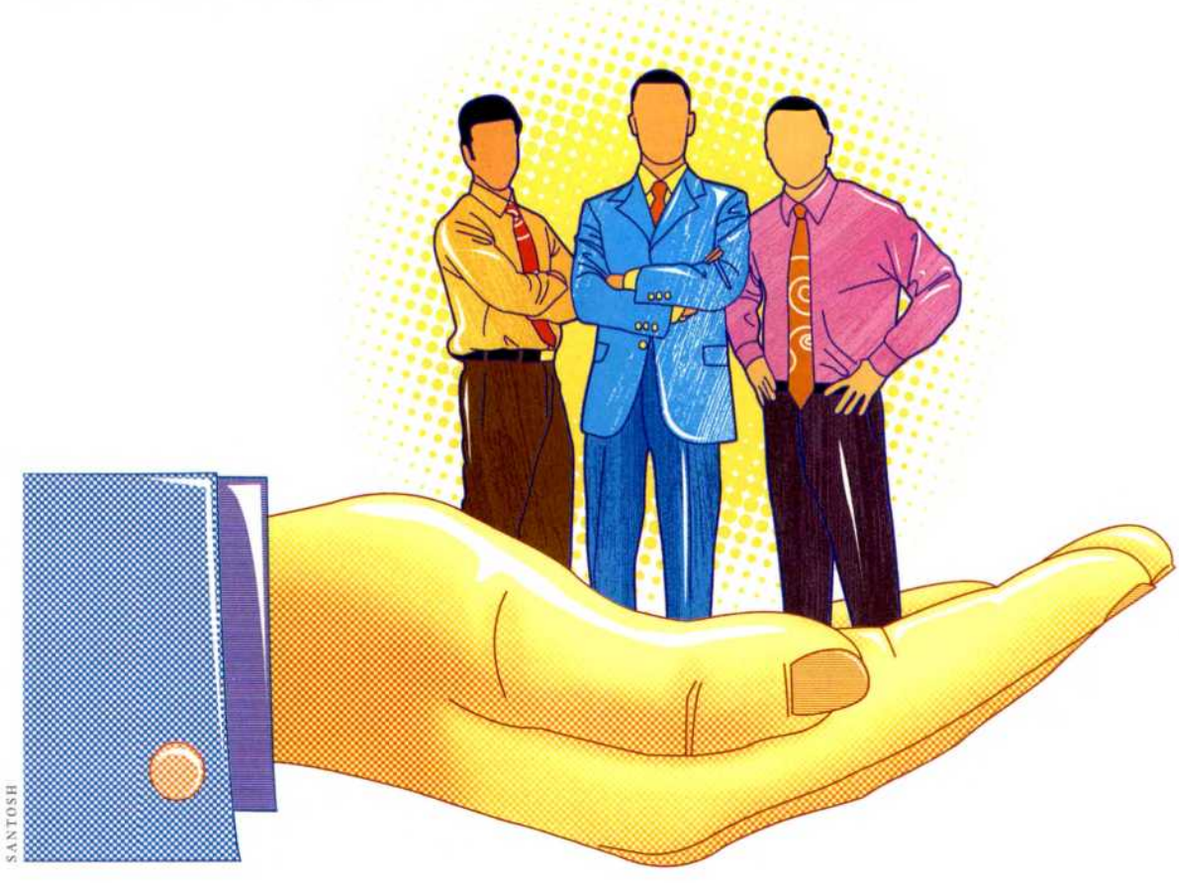
Bringing Out the Best in Your People

Some bosses stifle their employees – and some make them shine. Which kind are you? **By LIZ WISEMAN and GREG MCKEOWN**



SANTOSH

Some leaders drain all the intelligence and capability out of their teams. Because they need to be the smartest, most capable person in the room, these managers often shut down the smarts of others, ultimately stifling the flow of ideas. You know these people, because you have worked for and with them.

Consider the senior vice president of marketing who, week after week, suggests new targets and campaigns for your team – forcing you to scurry to keep up with her thinking rather than think for yourself and contribute your own ideas. Or, the vice president of product development who, despite having more than 4,000 top-notch software engineers on staff, admits that he listens to only a couple of people at development meetings, claiming "no one else really has anything much to offer." These leaders – we call them "diminishers" – underutilise people and leave creativity and talent on the table.

At the other extreme are leaders who, as capable as they are, care less about flaunting their own IQs and more about fostering a culture of intelligence in their organisations. Under the leadership of these "multipliers," employees don't just feel smarter, they become smarter. One example is K.R. Sridhar, a renowned scientist and the CEO of Bloom Energy, a green-tech firm. Sridhar recruits elite talent but is careful not to cultivate prima donnas, who might dominate the team's thinking. When one of his star scientists began relentlessly pushing his own ideas, even handing Sridhar an ultimatum, the CEO chose to place his bets on the team, even though his decision might jeopardise the next product launch. After the loss of this seemingly critical player, the rest of the team rallied, quickly learned new technologies, and successfully hit the release date.Although working for multipliers like Sridhar feels great, these leaders aren't feel-good types; they have a hard edge. They expect stellar performance from employees and drive individuals to achieve extraordinary results.

How do we know this? Several years ago, we embarked on a study to answer the following questions: What are the differences between leaders who multiply intelligence among their employees and those who diminish it, and what impact do they have on the organisation? We interviewed senior professionals in industries in which organisational intelligence is a competitive advantage – for instance, IT and health care. We asked them to identify two leaders they'd encountered in their careers: one they felt had diminished their intelligence and capabilities and one who had multiplied them. We then studied more than 150 of those selected leaders in more than 35 companies, spanning four continents. We conducted intensive 360-degree analyses of many of these leaders' behaviours and practices.

We found several critical differences in mind-set between the two types of leaders. The diminisher's view of intelligence is based on elitism, scarcity, and stasis: That is, you won't find high levels of brainpower everywhere, in everyone, and if your employees don't get it now, they never will. The multiplier's view, meanwhile, is much less cut-and-dried. This type of manager believes smarts are ever evolving and can be cultivated. The critical question for these leaders is not "Is this person smart?" but rather "In what ways is this person smart?" The job, as the multiplier sees it, is to bring the right people together in an environment that unleashes their best thinking – and then stay out of the way.

Getting the most from your team is important all the time; but when the economy is weak, it's even more critical. You can't solve talent problems by throwing money at them, swapping in "better" talent at higher salaries. No doubt your employees are stretched tight, but many of your top performers would probably admit to feeling underutilised. Their workloads may be at capacity, but they're sitting on a stockpile of untapped – or, even worse, thwarted – ideas, skills, and interests.

So while you may think you can't ask for more from your people in these tumultuous times, it turns out you can. But only if you are willing to shift the responsibility for thinking from yourself to your employees. Our research suggests you can get much more from your team, without adding resources or overhead, if you lead like a multiplier – something you can achieve no matter where you are on the spectrum of leadership styles.

What Multipliers Do Differently

Our studies of the leaders identified as multipliers revealed some of the unique ways they build collective, viral intelligence in teams. Specifically, multipliers manage five areas – talent, culture, strategy, decision making, and execution – much differently than their less-enlightened colleagues (the diminishers).

Managing talent. In any organisation, there are some leaders who are good at inducing top-tier performers to join the fold. But what's their purpose in bringing in new blood? More important, are they getting the most they can from these hires? Diminishers tend to focus on the act of recruiting and displaying their new resources and less so on how to develop and use that talent.

Multipliers, meanwhile, pull people into their orbit with the explicit understanding that accelerated development is part of the deal. They look for talent everywhere – they recognise that deep smarts are manifested in many different ways in a company, and so they pay little attention to org charts. Instead, they focus on finding people, at whatever level, who know the things they don't. They acknowledge people's "native genius" – not just the things people

You can get more from your team if you lead like a multiplier – something you can achieve no matter where you are on the spectrum of leadership styles

do exceptionally well but the things they do naturally, often without being asked and sometimes without being paid. Multipliers also take the time to understand the capabilities of each individual so that they can connect employees with the right people and the right opportunities – thereby building a virtuous cycle of attraction, growth, and opportunity.

That was the case at Hexal AG, a Germany-based maker of generic drugs, owned and led by brothers Thomas and Andreas Strüengmann. They used unconventional tactics for matching the right talent with the biggest business opportunities. The company didn't have an org chart; instead, under what the Strüengmanns called the "amoeba model," jobs were loosely formed around

people's interests and capabilities. For instance, in the natural course of her work, a customer service assistant at Hexal discovered a way to make her job (and her colleagues') easier by creating a web-based workflow tracking system that would alert everyone to the status of orders, requests, and other customer-service issues. Although she had no formal responsibility for Hexal's IT systems, she took it upon herself to make things happen. She sent an email to her colleagues seeking input – good idea or not? When she received a flurry of positive feedback, she set to work gathering a team and building a prototype. It was eventually greenlighted for widespread use. In this way, the brothers allowed talent to flow (like an amoeba) to the right opportunities, which spawned further opportunities. Through practices like these, the Strüengmanns built extraordinary market value, eventually selling Hexal AG to Novartis in 2005 for $7.6 billion.

Fostering a productive environment. Corporate environments and modern organisations are breeding grounds for tyrannical management. Org charts and titles skew power towards the top and bake in incentives for lower-level staffers to shut down and comply. The result is straitjacketed thinking – with little flow of knowledge from followers to leaders. In this sort of culture, diminishers may become tyrants, heaping on anxiety.

Multipliers, meanwhile, counteract this effect by explicitly giving people permission to think, speak, and act with reason. They generate an intensity that demands high-level work from the team, but they also have a high tolerance for mistakes and understand the importance of learning along the way. So they create mental spaces in which people can flourish.

The greatest ideas are born out of necessity and change. A new technology comes online, and the entire course of a company and industry changes

Consider the culture fostered by Lutz Ziob, the general manager of Microsoft Learning. His work environment is equal parts pressure and learning. Ziob is clear about the business pressures that require Microsoft Learning to grow its revenue by 20 per cent each year. But Ziob is also the first to own up to his mistakes and shamelessly shares stories of his own blunders and learning. He allows his employees the same latitude. When a direct report proposed a risky sales promotion, Ziob let him run with it, despite his own reservations about discounts being good incentives for learning. When the promotion failed, Ziob didn't need to point it out: The sales leader came to him outlining why the decision had been a mistake, what he had learned from it, and how he planned to use the knowledge to improve the product. Of Ziob, the sales leader said: "You're free to make mistakes – so long as you learn fast and you don't make the same ones twice."

Setting direction. The greatest ideas are born out of necessity and change. A new technology comes online or an upstart competitor introduces a new business model, and the entire course of a company and industry changes. Multipliers know this. So when it comes to charting the direction for their organisations, they push employees to look beyond what they already know. By contrast, diminishers are know-it-alls: They assume their job is to have all the best ideas. Their initiatives often revolve around what the leader knows rather than what the group might learn. Team members waste lots of time and mental energy trying to deduce what the boss thinks and how to act on it.

Multipliers ask hard questions that create a natural tension that impels people to find the answers. As team members earn small wins, their confidence grows and seemingly insurmountable problems appear less daunting. Roadblocks become interesting puzzles for the team to solve. That was the approach Matt McCauley, CEO of children's clothing retailer Gymboree, took in 2005 when he set the lofty goal of growing the firm's net income per share from 69 cents to $1. The board was initially skeptical, but the CEO was convinced it was an achievable goal. A few weeks later, he presented this "Mission Impossible" challenge to his team members, sharing his logic and his calculations based on his deep knowledge of the company's operations and inventory. He asked them: How can you and your team

change what you're doing to help us achieve this goal? What will your personal mission impossible be?

The team caught McCauley's enthusiasm, and it began to spread across the 9,500-person organisation. Individuals' and groups' goals were embedded in presentations and posted on doors. There was even a set of mission impossible goals for the food services team on display near the soda machine in the company cafeteria. Within a year, the company had exceeded its goal, with an increase to $1.19 per share. In fiscal 2007, Gymboree posted $2.15 per share; and in 2008, an incredible $3.21 per share.

McCauley had extended concrete challenges and then shifted responsibility for finding solutions to his team. By doing so, he gave employees permission to rethink the way they were operating, at even the most basic levels. And by acknowledging the "impossible" nature of the mission, he allowed people to take risks without fear of failure.

Making decisions. Important organisational decisions are always subject to debate. The problem comes when that debate happens after the fact – in whispered conversations in hallways and cubicles, as baffled teams try to make sense of decisions that seem abrupt and random. Diminishers create this unproductive dynamic, because they tend to make decisions alone or with input from just a small inner circle of advisers. The result is an organisation left reeling instead of executing. By contrast, multipliers engage people in rigorous, upfront discussions about the issues at hand. They give people a chance to weigh in and consider different possibilities – ultimately strengthening team members' understanding of the issue and increasing the likelihood that they'll be ready to carry out whatever actions are required.

Sue Siegel, the former President of Affymetrix, a Silicon Valley-based lifesciences firm, used the power of open debate to lead her company through a delicate product-recall decision in 2001. Customers had been reporting that the firm's GeneChip murine microarrays were rendering inaccurate DNA-typing data from 20 per cent of the chip. Siegel was an industry veteran; she had deep knowledge of the technology issues underlying the problem with GeneChip. She probably could have diagnosed the situation herself.

Instead, she convened a forum of managers from up and down the hierarchy and framed the magnitude of the issue and its potential effect on the company, which had gone public just three years earlier. She laid out some scenarios, asked hard questions, and then opened up discussion: How will customers react? What's our legal obligation? What's the financial impact if we recall – and if we don't? Some in the group argued that customers were getting valuable data from 80 per cent of the chip. Others felt strongly that the chips should be replaced. They debated for two days, and then Siegel asked the management team to weigh in. Taking all the feedback into account, the senior team decided to recall the product.

The recall could have destroyed such a young company; in fact, the company's market valuation did plummet two quarters in a row. But Affymetrix regained its value, in part because the decision-making process had leveraged the deep smarts of staffers across the organisation, gaining their support and ensuring their commitment when it came time to carry out the decision.

Executing. When teams are struggling with a project or a process – particularly when it comes to high-stakes business initiatives – it can be hard for smart leaders to stay above the fray. You've got the answers; you could finish that report better and

The Five Types of Multipliers and Diminishers

There are many ways to stifle the creativity and smarts of your team, just as there are lots of ways to get the most out of people. To assess your leadership style, take the survey at www.multipliersbook.com.

DIMINISHERS

The Empire Builder
Hoards resources and underutilises talent

The Tyrant
Creates a tense environment that suppresses people's thinking and capabilities

The Know-it-all
Gives directives that demonstrate how much he or she knows

The Decision Maker
Makes centralised, abrupt decisions that confuse the organisation

The Micro-manager
Drives results through his or her personal involvement

MULTIPLIERS

The Talent Magnet
Attracts talented people and uses them to their highest potential

The Liberator
Creates an intense environment that requires people's best thinking and work

The Challenger
Defines an opportunity that causes people to stretch their thinking and behaviours

The Debate Maker
Drives sound decisions by cultivating debate among team members

The Investor
Gives other people ownership of results and invests in their success

probably faster. But what message would that send?

Diminishers have a lot invested in being heroes; after all, they consider themselves to be the smartest people in the room. By contrast, multipliers see themselves as coaches and teachers. They enable others to operate independently by letting people own their results and rewarding employees' successes. These leaders put a high premium on self-sufficiency: Once they delegate a task or decision, they don't try to take it back.

Consider how Jae Choi, a McKinsey & Company partner based in Seoul, handled a recent late-night pressure situation with his team. It was after midnight, two days before a critical presentation to one of McKinsey's top clients. The project leader, Hyunjee, was standing in front of a whiteboard, a dry-erase marker in her hand, struggling with the team to craft a compelling presentation. She gave Choi an exhausted look, as if to say "Help." Choi stood up, took the pen from Hyunjee, and shared several ideas for refocusing the presentation. His fresh thinking revived the group – and everyone seemed content to have him take over. In fact, they urged him to do so. Choi wisely stopped sketching, turned back to Hyunjee, checked that she was comfortable with the new direction, and handed the marker back to her. She then led the process to a successful conclusion.

The lesson here? To build an organisation that can execute flexibly and independent of you, it's absolutely critical to, well, give the marker back.

Becoming a Multiplier

So how do you become a multiplier if you aren't one naturally? Some leaders get there over time, with maturity and experience. Bill Campbell, a past CEO of Intuit and adviser to Silicon Valley CEOs, is a self-proclaimed former diminisher. His moment of truth came when a close colleague confronted him about his leadership style, saying: "You're pushing everyone around and making all the decisions. We want to work for you, but we need to be able to do our jobs." After this near-mutiny, Campbell worked hard to become a multiplier; now he's a multiplier of multipliers.

Like Campbell, we all fall somewhere along the spectrum of multipliers and diminishers. Here are two steps for moving in the right direction.

Play your chips – sparingly. Don't throw all your ideas and suggestions on the table at once. Dispense your thoughts in small but intense doses. By limiting your own comments, you make space for others to contribute – and your words become that much more influential. You can even do what one executive did during an important strategy session: He gave himself five poker chips, each worth a specific number of seconds of talking time. Using the chips as a guide, he planned his comments carefully, introducing each with surgical precision.

Ask questions. Stop worrying about having all the answers. Use your knowledge of the business to ask insightful questions that prompt the members of your team to stop, think, and then rethink. To jumpstart this effort, take the "extreme question challenge": Pick a meeting or conversation that you will lead solely with questions. Begin with a query to spark discussion, ask other questions to clarify the issues, and ask still others to dig deeper into promising ideas. Finally, use questions to determine next steps.

Simply put, when you invite people's best thinking and lead like a multiplier, your team will give you more – more discretionary effort, more mental and physical energy, and more of the fresh ideas critical for long-term success. ◆

Liz Wiseman *is the president of The Wiseman Group, a leadership research and development firm.* **Greg McKeown** *is a partner at the The Wiseman Group. This article was published in* Harvard Business Review, *May 2010.* *All rights reserved.*

Are You an Accidental Diminisher?

Have you been holding your team back, despite your good intentions? Many leaders are unaware of the restrictive impact they can have on others. Some have continually been praised for their intellectual merit – and thus assume they're *supposed* to have all the answers. Others have worked for diminishers for so long they've gone native. Accidental diminisher or not, your effect on team members is the same: You're not tapping their full brainpower. Here are three signs you might be an accidental diminisher:

YOU'RE A VISIONARY. You lay out a compelling vision of the future and evangelise to your team. You think you're being a good leader, but you haven't left enough space for employees to think through the challenges themselves.

YOU'VE GOT THE GIFT OF GAB. You're passionate and articulate, and you consume a lot of space in a meeting. You think your passion is infectious; in reality, it's stifling.

YOU'RE A CREATIVE PERSON. You're continually spouting ideas. You think you're sparking the creative process; in reality, you're causing organisational whiplash as people scurry to keep up with each new idea.

By tuning in to the effects your leadership style is having on others, you can adjust in ways that benefit everyone.

M[redacted]T L[redacted]ARN TH[redacted] WAYS OF THE WORLD. SOME, CHANGE IT.

Bringing you the most inspirational stories of our times that reset the rules forever. A closer look at this rare breed, rightly called, **Game Changers.**

- Biz Stone and Evan Williams
- Henry Kravis
- Jay-Z
- Jon Stewart
- Larry Ellison
- Marc Andreessen
- Mark Zuckerberg
- Sergey Brin and Larry Page
- Steve Jobs

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BLUNT AND SHARP

We Create Leaders of Tomorrow

Think Education - Think Paavai

Education is the backbone of any country and as more and more people are realizing this several educational trusts have come up which are working towards providing purposeful education to the people. The Pavai Varam Educational Trust is one such trust which was set up with the belief that, "Education, science-based and in-cohesion with Indian culture and values alone, can provide the foundation and also the instrument for the nation's security and welfare and it will also infuse the youth with central cost of values to transmit them into a cultural heritage"

The 'Pavai Varam Educational Trust' was constituted by eminent professionals -a leading Chartered Accountant, an Industrialist and a Pediatric Surgeon. The trust based at Rasipuram, an old town, ruled then by Valvil Ori, is known for ghee, silk, sago (sabudana) and now for 'Quality Education'. Rasipuram, a place which has tireless and hard working people, is known for hospitality and also for Professional Education. To be the Diamond in the Crown of Rasipuram, 'Pavai Varam Educational Trust' was established with the basic principle of providing purposeful and goal-oriented technical education.

IDEALS

"Education is the process of growth and is continuous and life long. Educational Institutions should be the home and repository of fresh thoughts and new orientations. Whatever may be the transformation, it will be clear that education has two main aspects, the cultural aspect which makes a person grow and the production aspect which makes a person do things.These two aspects are not exclusive of each other."

OBJECTIVES

Their objectives include-

- To P rovide purposeful, goal-oriented Technical Education
- To A cquaint with the New Techniques and Technocracy
- To A dopt a sense of Reliability
- To V ouch for bringing up good engineers to the Nation.
- To A ssimilate Ethnic styles
- To I mbibe by the Term. "One for all and all for one"

VISION

To strive to be a globally model institution all set for taking 'lead-role' in grooming the younger generation socially responsible and professionally competent to face the challenges ahead.

MISSION

To provide goal- oriented, quality - based and value-added education through state-of-the-art technology on a par with international standards.

THE INSTITUTIONS

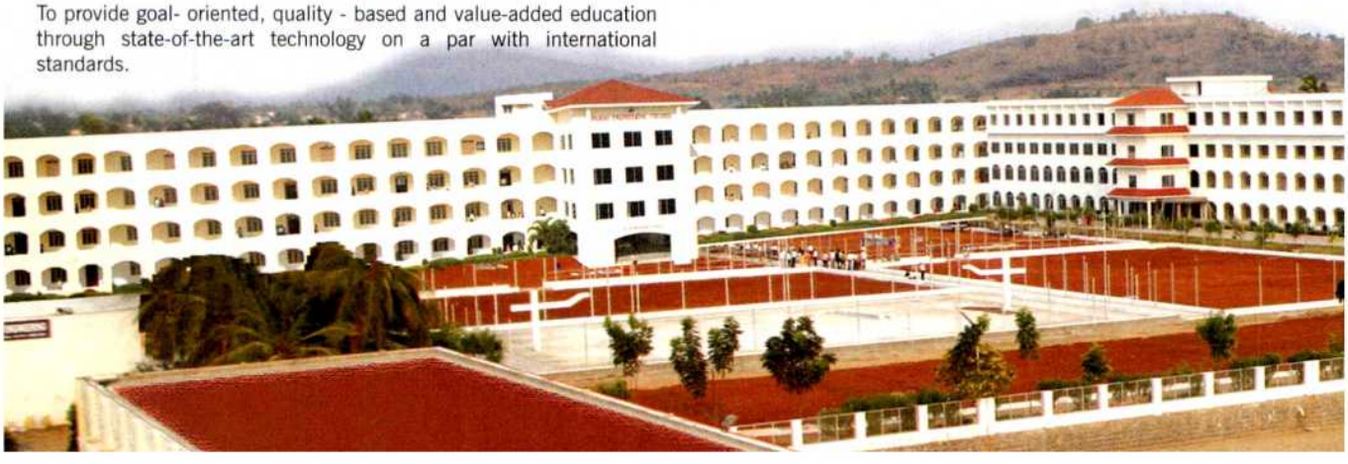
The educational trust includes an exhaustive list of schools and colleges. These include the Paavai engineering college, The Paavai college of engineering, Pavai college of technology, Paavaai group of institutions, Paavai school of management, Paavai Polytechnic College, Pavai Varam Polytechnic College, Pavai Arts and Science College for women, Paavai teacher training institute, Paavai College of education and Paavai Vidyashram, CBSE public school.

Paavai Engineering College strives to be recognised as a centre of excellence for learning in Engineering, Technology and Management.

To achieve this they are committed to:

- Continuously improving the quality of education and maintaining the institution as an effective human resource development organization under all changing environment.
- Pursuing Global standards of excellence in all our endeavours namely teaching, research and consultancy.
- Contributing to the nation and beyond, through the state-of-the-art technology, by producing vibrant technocrats, outstanding engineers and excellent managers who are ever willing to work with the spirit of challenge and innovation with high ethical and professional standards.

The Paavai Vidyashram CBSE School is a global residential cum day school. The School offers state of the art infra structure and facilities with a team of qualified and experienced faculty. The students are given opportunities to develop their own talents and be aware of national and



National Board of Accreditation

Getting an NBA accreditation is like an audit for technical institution. It is necessary for students opting for higher studies as well as jobs abroad. Funds for the Technical Education Quality Improvement Plan are also given to only those institutes that have NBA accreditation; Paavai Educational Institutions have achieved this milestone to their credit.

global happenings and issues. They also offer a wide array of co curricular and sports activities.

Paavai institutions have indeed come a long way in living up to their ideals of providing purposeful education. The Chairman Shri N V Natarajan has rightfully put it by saying, "By building people, we build society. By building leaders, we build the nation's technology and economy. Technical Education is, in effect, a nation's service. At Paavai, we believe only a well-disciplined, value-added students to become the high-profiled professionals who can achieve the avowed objective of our great president Hon'ble Abdul Kalam to make our country a "SUPER POWER."

Paavai Educational Institutoins – A technological turning point for those who seek for a niche in academic experience

The Chairman, Shri CA.N.V.Natarajan holds it strongly that there can be no half measures in quality and this belief makes the difference in the process. Also when people are built, society benefits, and thereby the nation, bringing in a cutting edge of technology, and added value to life.

Shri CA.N.V.Natarajan
Chairman

PAAVAI EDUCATIONAL INSTITUTIONS

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www.paavaipec.org **www.paavai.in**

Luxosphere ITALIA

furniture par excellence

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uber-luxury furniture from top Italian lifestyle brands which are recognized as amongst the best in the business, world-over

Luxosphere Italia offers uber-luxury furniture from top Italian lifestyle brands which are recognized as amongst the best in the business, world-over

'The customer is king', is an adage, an unwritten code, adhered to by some but ignored by the rest in the retail market. Those who thought otherwise are still in business albeit as a nondescript entity. Partly, because of their poor insight or the fear to innovate they continue to do reverse commerce thereby harming themselves and their businesses. Counted among the few, of those who dared to be different and walked the narrow, yet difficult path is, Mr. N Amarnath, Chairman & Managing Director of Tirumala Music Center, Andhra Pradesh's leading chain of consumer electronics & home appliances stores. He started his provision store in a 10x12 premises in 1980, with a small investment of INR 10,000. Today he is the undisputed king of retail in Andhra Pradesh and sits on a fortune of approximately 250 crores. His businesses have taken different paths and each one a lesson in sales, worth emulating. His penchant for schemes such as 'From Tirumala to Tirumala', notwithstanding, was simple yet endearing for the number of middle class families who loved to receive gifts of any kind especially when they had made a purchase that pinched their pockets.

Mr. Amarnath's trick of keeping the customer hooked with 'scratch and win' and 'Lucky Dips', often graced by celebrities and covered by the fourth estate largely because of the 'star value' quotient, became the talk of the town. Somewhere down the line the entrepreneur in him noticed the change in spending,

owed mostly to the software boom, and decided to cash ir increasing the number of outlets to tier two and three citie Andhra Pradesh. His mantra, low profit margins coupled with h volume sale, where the customer got the best price for a qu item only at his stores paid off handsomely. The remarka change in life style of the consumer only added to phenomenon of super sales and the latest goods being brou to Hyderabad first. Apartments that were priced at a few lakhs so long ago soon hit the hundred lakhs mark. This necessita better looking and fully loaded drawing rooms, kitchens and rooms. It prompted the best brands of the world to make a bee for India in all spheres including home furnishing.

Furniture from other countries made their presence felt in the Sofas, mattresses, dining tables and kitchenettes were impo to give that 'arrived' look inside homes. People sta subscribing magazines to aid them get their monies worth. T also employed designers to check out the ergonomics and l suited accessories for their place of stay. All was well till som them realized that the imported furniture was not exactly dura and very often made of inferior material. So it was with some c Amarnath's friends. They went on foreign jaunts and booked container loads of household articles only to recall that the stuff turned out to be duds. Urged by these friends and his business antennae picking the signals for an opportunity, he moved to the area of furniture and home furnishing with Luxosphere Italia. A flagship store, located on Road No. 1, Banjara Hills, that retails a complete range of ultra-luxury Italian furniture for home decor.

Riding the retail wave .

In a cost conscious market selling a sofa priced over 4 lakhs is rather difficult. When brought to his notice Mr. Amarnath was plain and straight, "A person buying a villa or flat tagged at around a hundred lakhs will surely want furniture that goes with it. A few lakhs on something which you call your own and want to be proud of will come at a price." "Italy is known for exclusivity, Ferrari, Maserati, Lamborghini and Alfa Romeo are care made there. These cars also have four wheels, a steering wheel and other paraphernalia in them like other cars on the road. But drive one of them, the experience is out of the world and you will understand why they stand apart, the engineering, styling and coloring is just fantastic and so it is with our furniture". "Rest assured it will be a one of its kind since great minds have designed them and the detailing near perfect".

Mr. N Amarnath, CMD

e range includes, but is not limited to, living room sets (sofas d arm chairs), bedroom sets (beds and wardrobes), dining- m sets (dining tables and chairs), tables & chairs, modular chens, outdoor and garden furniture, children's furniture and cessories. Luxosphere Italia offers uber-luxury furniture from Italian lifestyle brands which are recognized as amongst the st in the business, world-over. They include; Armoni Cucine, m, Flou, Foppapedretti, Futura, GiulioMarelli, Gruppo FEG, se, Lazarri, Marinelli, Salvarani, Santarossa, Tisettanta, Tonin sa, Alessi, to name a few. Perhaps no other owroom in India offers such an extensive range of ultra-premium Italian home furniture. Famed for its perfection, it gives the furniture range a decisive edge in terms of quality and value. Every piece is crafted with extreme attention to detail, and offers top notch luxury and comfort.

From being a busines s man for the masses to serving the high and mighty who can afford top end furniture, the change has come er a long time. At the launch there was the who's who of India, luding Sachin Tendulkar, incidentally one of the first customers he store as he was at that time constructing a new house in Mumbai and purchased a modular kitchen from Luxosphere Italia. The guests were all appreciative of the furniture and willed to upgrade. At the store one needs to show the floor plan and the in house designers will suggest furniture for all budgets and tastes. Customization plays a key role here as not all the customers are aware of the stuff available for homes and once this is done with it is a matter of time before he decides to purchase. The flexibility of bringing one's own designer is also accommodated here. What is taken into account by the architects is the color of the furniture, size and shape that will augur well with the rooms.

In the pipeline is a manufacturing unit that will make the furniture and accessories here in Hyderabad in collaboration with those they are already associated with presently. This has been thought of keeping the customer in mind, the reduction in import duties, the demurrage and the minimization of the wait to own the master pieces. Other cities are on the radar for franchisee outlets such as Mumbai, Bangalore, Delhi and Kochi as they are getting the most enquiries from them. Italy is a favorite destination for Mr. Amarnath and in the interaction he said he wants to be a pioneer in bringing it to India and taking our country's markets to them.

BHARATH UNIVERSITY

- For a Truly Rewarding Academic Odyssey

Gone are the days, where literacy was restricted just for enlightenment. Today, literacy is to enlighten, broaden, lead and succeed. It is to define our goal and clear the fog of challenges. But sadly, not all educational institutions offer such ambitious learning environment. It takes years of experience, a disciplined management, a fluid academic structure and approachable pedagogy to create such a platform that provides a holistic academic experience.

Without any second thoughts, Bharath University is one such renowned institution, which has been providing best brains since its inception in the year 1984. Though the university started out as a humble engineering college in its fledgling days as Bharath Institute of Science and Technology [BIST], it soon gulped a gigantic fame, due to its academic excellence and quality education. Established under the auspices of Sri Lakshmi Ammal Educational Trust, with a noble aim of imparting advanced scientific knowledge in South India, Bharath University had no looking back since its founding days.

Recognizing its superior education system, Bharath University was awarded a deemed University status in the year 2003. Under the able management of Dr.J. Lakshmi Narayanan, B.E, M.S (USA), Ph.D, President & Chancellor of Bharath University, it has been a smooth transition for the University to add global academic features to the University's curriculum, as and when required. Not to mention, the international study features of Bharath University are the most noted qualities among its many highlights, which indeed define the institution's academic motto to Think Ahead and Stay Ahead.

The University offers an international academic experience, not just with its curriculum but with its overall structure. Beginning with meticulously groomed green pastures of the University's surroundings, passing through the glossy Wi-Fi classrooms, state-of-the-art labs and library, to the world class sports ground in its rear, everything in Bharath University is about maintaining an international quality.

The University's high-tech learning resources facilitate in-depth subject analysis in order to understand complex technical subjects better, while the Edu-Sat Smart Classrooms offer an international learning experience to students with several advanced learning equipments. At Edu-Sat Smart classrooms, students enjoy the comfort of getting trained by the best technical tutorials from around the world, through Satellite TVs. Interactive video facilities and computer based instructional units are exclusively set up to offer a rich learning experience to Bharath University students, which only a select few international institutions offer to their students.

Dr. J. Lakshmi Narayanan
President Bharath University

Bharath University believes in experiential study methods. Hence there are several research centres within the University campus which facilitate research and experimentation. The Advanced Centre for Robotics and Automation, the Centre for Nanotechnology and the Centre for Computational Mechanics, are all exclusively setup for students to improvise their subject knowledge. These centres are dedicated towards scientific and advanced technological research and development, to both students and faculty, so that theoretical studies become empirical too.

The University follows a proctorial teaching method, where one faculty is assigned to every 20 students, making it easy for students to get uncompromised focus and guidance. It is not just the faculty

Think ahead. Stay ahead.

TO THE STARS BY HARD WORK
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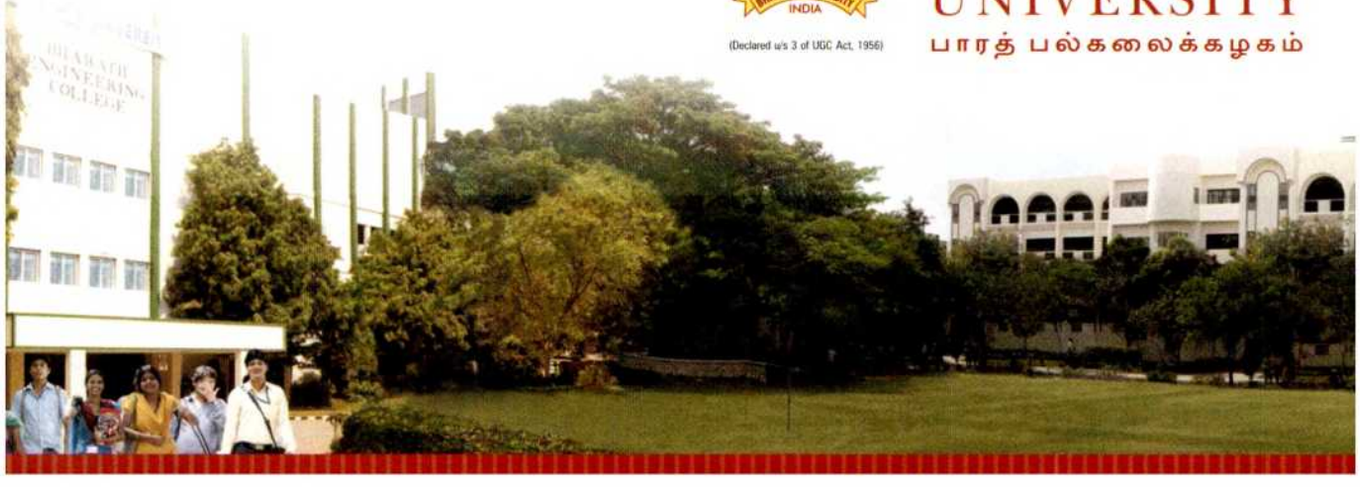

and students who bind very well, but also the parents who share a great rapport with the faculty which in turn adds to a motivated learning experience to students. Additionally, there are several welfare schemes offered to faculty and staff which instills pedagogical motivation and provides advanced subject knowledge to improve their pedagogical skills.

Bharath University is known for its student friendly learning methodology. The curriculum allows students to hand pick their favourite subjects who also get variety of new courses in various subjects like energy, biology and space science to improvise their subject knowledge. The academic curriculum is upgraded periodically, and so are the software, hardware and lab equipments in the University which are often overlooked in many educational institutions.

Through the Industry-Institute Interaction plan, each department in the University is tied up with other renowned education institutions and corporates, so that students can execute theoretically obtained technical knowledge and put them to practice to get the feel of real world. In addition to these, Bharath University periodically invites renowned academicians and scientists to motivate its students and ignite their aspirations.

As communication skills are vital for any form of excellence, the University has established a special Language Lab, where international learning techniques are used for whetting students' communication and language capabilities. Students are coached by experienced language experts, who have corporate training experiences and are highly committed towards preparing students to a 'demanding real-world.'

Since global education is a vital aspect of quality education, Bharath University has signed MOU's with several top-notch

international Universities and Colleges across the world. Top American institutions such as University of California, Berkley, Cornell State University, Texas A&M University, Minnesota State University, Iowa State University and Nebraska University, Canada's University of Saskatchewan, University of Nanitoba, McGill University, UK's University of Northampton and Australia's Melbourne University are some of the famous academic institutions who have a signed MOU with Bharath University as of now. The University has plans to spread its academic wings further to many other reputed institutions around the world. The objective of such tie-ups is to provide Bharath University students the best of each foreign institution and expose them to the advanced learning methods practiced in different parts of the world. Students also get to share and gain updated technical knowledge from partner institutions.

Bharath University does not hold its awards and recognitions without a reason. The University offers several scholarship programs worth 6 crores, for outstanding students in academics and sports. Each year, who topper Bharath Engineering Entrance Exam [BEEE], state exams and sports are offered scholarship education at the University.

BHARATH 27 YEARS OF EXCELLENCE

Bharath University also offers financial assistance to deserving economically backward students to pursue college education without any financial difficulty. Apart from the scholarships, Bharath University generously offers financial assistance to staff and students alike, for performing research projects or to present technical papers in seminars, conferences and journals anywhere in the world.

With all these credentials in its academic trophy list, Bharath University still doesn't stop for a pause. The University's students get placed in A-list companies through its highly connected, Job placement cell. Since most corporate and reputed organizations recognize the quality of education at Bharath University, campus placements are high in number, making it easy for students to gain a red carpet career growth with a promising future.

In order to prepare its students to refine themselves and get set for a challenging work environment, Bharath University offers several training and coaching classes to its students. Job based certificate programs are available in the University which elevates chances of students getting recruited by giant conglomerates during campus interviews. For example, the CCNA certificate course increases the employment value of B-Tech students in the field of networking, making it easy for B-Tech students to gain the much demanded industry knowledge. Additionally to these, special coaching classes are provided for excelling in TOEFL, GRE and other foreign educational/ job requirement exams.

It is worth noticing that, most of Bharath University's alumni currently work in several top companies & organizations as scientists, engineers, medical experts and technologists. The University has around-the-clock programs that holistically provide

a rewarding experience to its students. "If students take full advantage of the world class facilities provided by our university, I have no doubt they will emerge as successful careerists in dental, medical, engineering or technology," says the ebullient Chancellor Dr. J. Lakshmi Narayanan.

Apart from academics, Bharath University gives due importance and encourages extra-curricular activities and sports just like it encourages technical symposiums. While the University boasts of its high-tech classrooms, ultra modern multimedia training facilities and conference halls, it also have world class gym facilities and recreation centres for its students to wind up their hard-learning days with a fresh feel.

With so many global aspects in the University, it is not a surprise to have international students study in the campus. Bharath University has an international student community which drastically improves its academic outlook. This ethnic diversity among students gives valuable opportunity to cherish international brotherhood and also gain a lively learning experience.

Though Bharath University is all about excellence in education, it also has a tender touch towards its students' personal world. The hostels in Bharath University are meticulously designed, with several comfort features that make students to feel "at home."

Hostels in Bharath University are student centric and focus on making their stay a comfortable one. Unlike the traditional way, students get to choose their own food menu at Bharath University Campus hostels. First aid centres and modern canteens are additional facilities available in the campus, in order to create a safe and serene hostel life. Bharath University is keen in providing its students a conducive learning environment and hence strives to give the feel of 'home away from home'to its students.

Under the strong arms of Bharath University, there are several divisions of academic institutions. The University has about 4 functioning campuses, 3 in Chennai and 1 in Pondicherry, 14 schools of studies and 7 centres of excellence for research and development, together offering about 39 UG & 139 PG courses. All of these institutions provide uncanny quality education without any compromise. Bharath University has proudly completed 27 years of such enviable academic excellence and is still marching with its flags up. Since its infant steps, Bharath University has maintained its academic standards and quality of education, trailing its pedagogical efficiency for the past 27 years, and making its students to Think Ahead and Stay Ahead and shine with pride in any intellectual gathering. A rewarding academic institution, indeed.

Bharath University - International Learning experience in Indian grounds.

Think ahead. Stay ahead.

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LAST BUT NOT LEAST

EXECUTIVE HEALTH 139 PEOPLEBUSINESS 150

Touché in Seattle

Sunny Sen visits Microsoft's headquarters to understand the software giant's vision of the future of computing, and lists his takeaways

Touch and behold: The surface has optical touch technology, which has the ability to sense objects on the screen placed underneath

COURTESY: MICROSOFT

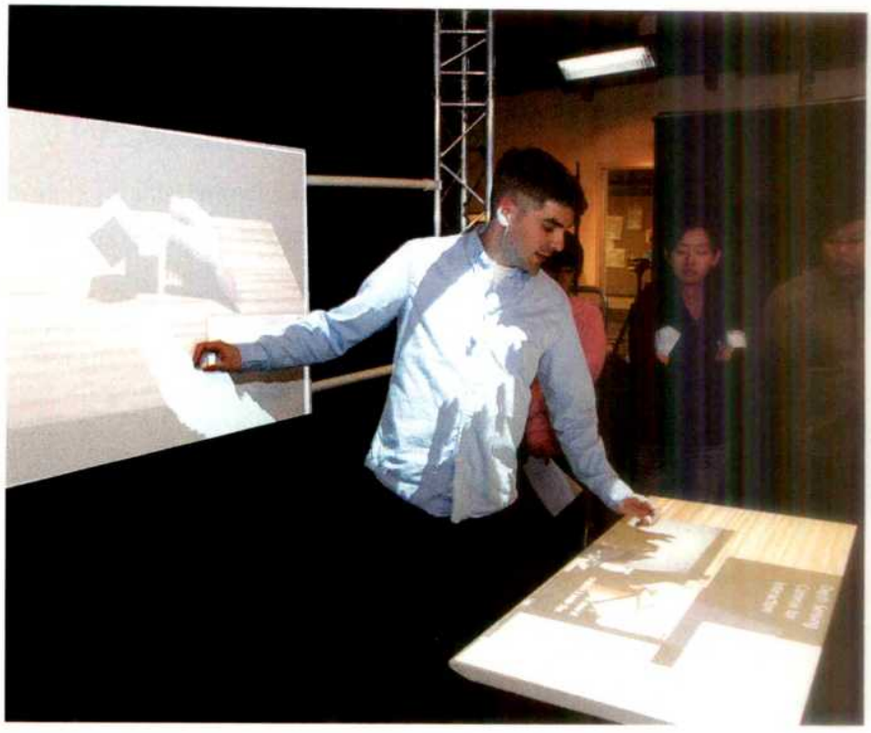
It is a cold, gloomy and wet Seattle morning, predictably so at this time of the year in this city nestled near the forests of northwestern United States. I am visiting Microsoft's Research and Development facility. Seattle also houses the offices of tech major Amazon, but Microsoft has its own charm here. Shops offer special discounts for Microsoft employees. My shuttle driver, who takes me to my destination in Redmond, 18 km from the airport, says most Indians in the city work for Microsoft.

Arriving, I stand awestruck for some time. The Microsoft campus comprises some 150-odd buildings. The sheer scale of the place is overpowering – it looks like a mini township, equipped with everything from restaurants to health clubs to playgrounds. People mostly use shuttle cars to travel from one building to another.

Microsoft, still a giant in the world of technology, has had its ups and downs in recent years and is hardly a 'cool' company anymore. But it is still the stuff of legend and remains influential in the world of computing. That is why I am most intrigued by its much-discussed Natural User Interface, or NUI, concept.

NUI per se is not new. Anyone who has used the Kinect system of the Xbox 360 console has experienced it. For the uninitiated, Kinect allows users to play computer games without having to hold a controller. The characters are controlled using body movements, so there is little danger of, in the excitement of the moment, controllers smashing into other people, or worse, right into the expensive flat-panel displays and shattering them. Kinect works with two cameras – a projector camera that puts invisible light onto users and a sensor camera that deciphers the reflected light from users.

Kinect, which Microsoft developed together with Israel's PrimeSense, is the cornerstone of the company's vision of the future.



Minority Report: Soon touch technology can be experienced on any surface, even simple wooden tables

says Steve Clayton. Clayton is officially designated Story Teller and his job is to tell the Microsoft story to all those who visit and want to hear it.

His narration can sound a bit like *Minority Report* starring Tom Cruise. "Imagine walls having ears, listening in on conversations and transcribing them in a whole host of languages?" says Clayton. Can such a thing really happen? It can.

This is where the 'Smart Home' concept of the future comes in, which is that of extending Kinect to the real world. Keep a coffee bottle on the kitchen counter, the cameras and sensors sense it immediately and a laser projection falls on the counter with a menu listing all the ways you can use that coffee. It is not just the kitchen. The colours and themes on the walls of the other rooms can change according to the user preferences. You simply utter aloud what you want, and it happens. I felt I was actually communicating with the lifeless objects around me.

Microsoft Research, with an army of 850 scientists in its ranks, has a simple philosophy: it is important for computers to understand humans and not the other way around. A nascent research project I saw was working at converting every kind of surface into a touchscreen – walls, tables, everything. There are projections on these surfaces to sense touch. I even played a few ball games wearing 3D glasses with these projections.

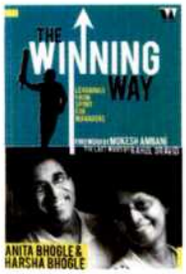
A recent product of Microsoft's labs is the latest version of its surface computing platform. Thinner and lighter than its predecessor, it has a host of applications that Microsoft executives hope will invade retail and hospitality sectors soon.

Of course, not all the work being done inside these labs will make it into the world outside, but Microsoft executives believe commercialising even 15 to 20 per cent of their research could change the face of computing. And maybe, just maybe, make Microsoft cool again. ◆

This correspondent travelled to Seattle at the invitation of Microsoft

Going Beyond Talent

The book captures the essence of values in sport, values that inspire champion players and champion teams, says Viren Rasquinha



The Winning Way
By Anita Bhogle and Harsha Bhogle
Publisher: Westland
Pages: 226
Price: ₹200

To lose is not a crime, to offer less than 100 per cent is." These words from Harsha and Anita Bhogle's book *The Winning Way* sum up exactly how I have lived my entire life and especially my sports career. I am not much of a reader although I keep abreast of current affairs, but I virtually devoured the entire book in one go – mostly because every chapter brought back fond memories from my playing days.

The book talks about goal setting: the importance of setting performance goals rather than result goals. This is exactly what a brilliant mental trainer from the United States told us – the Indian hockey team – at a training camp before the 2004 Athens Olympics. He said: "Give your best to whatever is within your control – your training, your rest, your diet, improving your dribbling, the reverse hit, etc. Whatever is out of your control – a hostile crowd, the weather, sometimes the final result itself – don't let those things bother you too much."

It was fascinating for me to read about Steve Waugh's "No Regrets" tour of 1999. The Australian World Cup squad of 1999 had decided that their campaign that year would be an effort towards "giving it their all" and having absolutely no regrets at the end of the day. That's a great way to live, to learn and to play sport. Such an attitude plays a big role in winning. This is something I want to implement in my current role as CEO of Olympic Gold Quest, or OGQ, which looks after the training of some of India's top athletes preparing for the Olympics. Our mission is to help India win Olympic gold medals. The goal seems "out of reach" as India has won just one individual gold medal so far in over 100 years of the Olympics. But, as the book says, it is definitely not "out of sight".

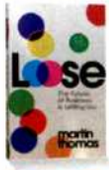
The book has a message for OGQ as well. If we are going to help India win gold medals at the 2012 London Olympics, we will have to give 100 per cent at every team meeting, in every training session and during every match, much like Waugh's all conquering team did in 1999. Everyone has a role to play and everyone must play it to the best of his or her ability. If star boxer M.C. Mary Kom has to fight for just eight minutes (four rounds of two minutes each) in a bout, there are at least eight experts in the background who play a very important role in helping her stay strong enough, fast enough and armed with the right inputs to beat the best in the world. Every member of the team is important.

I think the book captures the essence of values in sport, values that make champion players and champion teams. The lessons that make champion players are very similar to those that turn executives into champions in the corporate world. I think what *The Winning Way* has taught me best is that the work ethic is non-negotiable. That is the first thing I am going to convey to all my athletes. ◆

The reviewer, a recipient of the Arjuna Award, is a former captain of the India Hockey team and currently CEO of Olympic Gold Quest

The key is to set performance goals rather than result goals. I think what the book has taught me best is that the work ethic is non-negotiable

BOOKMARKS



Loose – The Future of Business Is Letting Go
By Martin Thomas
Headline Business Plus
Pages: 262
Price: ₹395

The book explains new ways of managing firms and the importance of staying loose and flexible enough to easily adapt to change.

Next What's In
By Santosh Sharma
CAS India
Pages: 334
Price: ₹299

Simply thinking out of the box is not good enough. The book challenges stereotyped, clichéd ideas and introduces the concept of "dissolving the boxes".

A Test in Time

Invest in regular medical check-ups to ward off future ailments, says Anumeha Chaturvedi

GE Capital CEO Anish Shah, 41, is a firm believer in annual health check-ups. He has been going for them regularly in the past 10 years. Last year, he spent ₹70,000 on a comprehensive preventive check-up package at Max Healthcare in Gurgaon. The Platinum programme, for which Shah had to stay in the hospital for two days, included magnetic resonance imaging, or MRI, scans for every part of his body, and an array of tests that would not only spot any ailment but also alert him about any potential future afflictions. "We spend huge amounts on the maintenance and servicing of our cars," says Shah. "Aren't our own bodies a lot more important?"

Regular check-ups enable people to take remedial action in time. "Diseases like heart ailments and cancers are easier to treat when detected early, before their symptoms manifest themselves," says Dr Ashutosh Shukla, Head of Internal Medicine at Artemis Health Institute, Gurgaon. He recalls a perfectly healthy looking patient who turned out to have a dilated aorta. The swollen aorta – the largest artery in the human body, originating from the heart – could have ruptured at any time, leading to death. The patient was operated upon the very next day.

There is a range of check-up packages available at hospitals. Choosing the most suitable option depends on age, specific requirements, and, of course, cost. "You can pick an extensive programme once, and follow it up with a standard one the next year," says Dr Sushum Sharma, Head of the Department of Preventive Health at Max Healthcare. The standard packages cost between ₹3,000 and 4,000, and include tests which indicate a patient's complete blood count, blood sugar and cholesterol levels, liver and kidney functions, in addition to an electro cardiogram, ultrasound examination, a chest X-ray and a dental check-up.

"We design packages keeping in mind diseases that could affect certain age groups," says Dr Shukla. Apart from the regular ones, he recommends a treadmill test and echocardiography for men in the 31 to 50 age group for signs of coronary heart diseases. For women, additional tests are bone densitometry and mammography, to check for osteoporosis and breast cancer.

Patients need to prepare for the check-ups. Dr Sharma recommends a balanced diet and reduced alcohol intake for about four to five days before the check-up, or else cholesterol levels could be affected.

"Certain tests, like the treadmill, also test endurance levels. So being physically prepared is advisable." Informing the doctors conducting the tests about one's medical history and medications taken is also important.

But check-ups do not do away with the need for a balanced lifestyle. "There is nothing like a proper diet, physical activity and curtailed tobacco and alcohol intake to keep a person healthy," says Dr Sharma. ◆

Healthy trend: Specialised tests like MRI scans are increasingly becoming part of regular check-ups

VIVAN MEHRA

CHECK LIST

1. Eat only balanced meals for four to five days prior to the check-up. Avoid fatty foods and alcohol
2. Inform the physician about the medicines you have taken over the past three days
3. Certain tests check your endurance levels through exercises and running on the treadmill. Be prepared

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FINANCIAL RESULTS FOR THE PERIOD ENDED 31.03.2011

(₹ In Lacs except EPS, Number of shares & % of shareholdin

Sl. No.	PARTICULARS	STANDALONE				CONSOLIDATED	
		QUARTER ENDED 31.03.2011 (Un-Audited)	QUARTER ENDED 31.03.2010 (Un-Audited)	YEAR ENDED 31.03.2011 (Audited)	YEAR ENDED 31.03.2010 (Audited)	YEAR ENDED 31.03.2011 (Audited)	YEAR ENDED 31.03.20 (Audited
1	**Income**						
	a) Income from Operations	2,15,805	1,79,586	8,10,877	6,43,085	8,10,877	6,43,08
	b) Other Operating Income	3,028	3,773	14,814	11,891	14,814	11,89
	Total Income from Operations	**2,18,833**	**1,83,359**	**8,25,691**	**6,54,976**	**8,25,691**	**6,54,9**
2	**Expenditure**						
	a) Staff Cost	4,677	3,726	12,747	11,710	13,409	12,2
	b) Other Expenditure	850	983	3,690	2,778	4,465	3,1
	c) Interest & Finance Expenses	1,30,425	1,06,849	4,85,101	3,91,115	4,85,101	3,91,1
	d) Provision- Bad and Doubtful Debts	9	-	22	22	22	
	e) Depreciation	78	109	304	216	307	2
	Total Expenditure	**1,36,039**	**1,11,667**	**5,01,864**	**4,05,841**	**5,03,304**	**4,06,6**
3	**Profit from Operations before Other Income**	**82,794**	**71,692**	**3,23,827**	**2,49,135**	**3,22,387**	**2,48,2**
4	**Other Income**	**11,800**	**3,598**	**23,835**	**15,784**	**27,529**	**19,7**
5	**Profit (+)/Loss (-) before tax**	**94,594**	**75,290**	**3,47,662**	**2,64,919**	**3,49,916**	**2,68,0**
6	**Tax Expense**						
	- Current Year	25,127	20,184	90,847	69,558	91,597	70,6
	- Earlier Years	-	3	364	3	369	
	- Deferred Tax	(559)	(23)	(541)	51	(540)	
	- Previous Years (Refunds)	-	(991)	-	(4,835)	-	(4,83
7	**Net Profit (+)/Loss (-) (5-6)**	**70,026**	**56,117**	**2,56,992**	**2,00,142**	**2,58,490**	**2,02,2**
8	**Paid up Equity Share Capital**	**98,746**	**98,746**	**98,746**	**98,746**	**98,746**	**98,7**
9	**Reserves & Surplus(Excluding Revaluation)**			**11,80,116**	**10,09,288**	**11,83,998**	**10,11,6**
10	**Basic & Diluted Earning Per Share (Rs. 10/-per share)**	**7.10**	**6.29**	**26.03**	**23.06**	**26.18**	**23.**
11	**Debt Equity ratio (times)**	**5.47**	**5.05**	**5.47**	**5.05**	**5.46**	**5.**
12	**Debt Service Coverage ratio (DSCR)(times)**	**0.66**	**0.32**	**0.51**	**0.39**	**0.51**	**0.**
13	**Interest Service Coverage ratio (ISCR)(times)**	**1.73**	**1.70**	**1.72**	**1.68**	**1.72**	**1.**
14	**Public shareholding**						
	- Number of shares	32,78,52,000	32,78,52,000	32,78,52,000	32,78,52,000	32,78,52,000	32,78,52,0
	- % of shareholding	33.20	33.20	33.20	33.20	33.20	33.
15	**Promoters and Promoter group Shareholding**						
	a) Pledged/ Encumbered						
	- Number of shares	NIL	NIL	NIL	NIL	NIL	N
	- % of shares (as a % of total shareholding of Promoter and Promoter Group)	NIL	NIL	NIL	NIL	NIL	N
	- % of shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL	NIL	N
	b) Non- Encumbered shares						
	- Number of shares	65,96,07,000	65,96,07,000	65,96,07,000	65,96,07,000	65,96,07,000	65,96,07,0
	- % of shares (as a % of total shareholding of Promoter and Promoter Group)	100	100	100	100	100	1
	- % of shares (as a % of the total share capital of the company)	66.80	66.80	66.80	66.80	66.80	66.
	Adjusted DSCR (being a Finance Company) (times)*	1.35	0.81	1.04	0.73	1.04	0.

*Adjusted DSCR = Earnings before Interest and Tax + Principal Loan assets repayment received/ (Interest + Principal repayment of borrowings)

Notes:

1. Previous period figures have been regrouped and re-arranged wherever necessary.
2. The above financial results for the period ended March 31, 2011 were reviewed by the Audit Committee at the meeting held on May 24, 2011 and approved by the Board of Directors and ta record at the meeting held on May 24,2011 and are subject to review by Comptroller and Auditor General of India u/s 619(4) of the Companies Act, 1956.
3. Wage Revision for the executives in line with Notification of Government of India and for non executives in line with the negotiations with the union representatives have been implement w.e.f. 01.01.2007. Accordingly, final payment with a total impact of ₹ 3,973.90 lacs has been made as against provision for Wage Revision of ₹ 3,666.51 lacs and the additional impa 152.84 lacs and ₹ 307.39 lacs has been charged to Profit and Loss account during the Quarter and Year ended March 31, 2011 respectively.
4. Interest & Finance Expenses as mentioned at 2.c above include ₹ 1,395.08 lacs and ₹ 5,089.90 lacs on account of one time arrangers fee paid during the quarter and year ended March 3 (corresponding quarter & year ended March 31, 2010, ₹ Nil) for raising of External Commercial Syndicated Loans.
5. Other Income as at 4 above includes net foreign exchange gain of ₹ 5,594.82 lacs during the quarter and ₹ 8,533.04 lacs for the year ended 31.03.2011 (Corresponding quarter and year ₹ Nil l

STATEMENT OF ASSETS AND LIABILITIES AS AT 31ST MARCH, 2011

(₹ In Lacs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	YEAR ENDED 31.03.2011 (Audited)	YEAR ENDED 31.03.2010 (Audited)	YEAR ENDED 31.03.2011 (Audited)	YEAR ENDED 31.03.2010 (Audited)
areholders Fund				
Share Capital	98,746	98,746	98,746	98,746
Reserves and Surplus	11,80,116	10,09,287	11,83,998	10,11,679
	12,78,862	**11,08,033**	**12,82,744**	**11,10,425**
an Funds				
Secured Loans	46,26,743	46,24,474	46,26,743	46,24,474
Unsecured loans	23,73,639	9,70,349	23,73,639	9,70,349
	70,00,382	**55,94,823**	**70,00,382**	**55,94,823**
TAL	**82,79,244**	**67,02,856**	**82,83,126**	**67,05,248**
ced Assets				
et including Capital Work in Progress)	**8,806**	**8,991**	**8,837**	**9,469**
vestments	**81,243**	**90,986**	**81,233**	**90,976**
ans	**82,13,206**	**66,45,261**	**82,13,206**	**66,45,261**
ferred Tax Assets	**1,277**	**737**	**1,276**	**736**
rrent Assets, Loans and Advances				
Cash and Bank balances	2,83,189	1,39,031	2,86,679	1,39,423
Sundry Debtors	-	-	1,953	4,467
Other current assets	53,926	57,929	54,040	57,935
Loans and Advances	7,357	11,410	7,551	10,188
	3,44,472	**2,08,370**	**3,50,223**	**2,12,013**
s : Current Liabilities and Provisions				
Liabilities	3,13,390	1,96,134	3,15,273	1,97,849
Provisions	56,370	55,355	56,377	55,360
	3,69,760	**2,51,489**	**3,71,650**	**2,53,209**
: Current Assets	**-25,288**	**-43,119**	**-21,427**	**-41,196**
SCELLANEOUS EXPENDITURE	**-**	**-**	**1**	**2**
t written off or adjusted)				
TAL	**82,79,244**	**67,02,856**	**82,83,126**	**67,05,248**

The Company paid an interim dividend of ₹ 3.50 per Equity Share (on face value of ₹ 10/- each) in the month of February, 2011. The Board of Directors has recommended final dividend of ₹ 4/- per share (on face value of ₹ 10/- each) for the year 2010-11, subject to approval of the Shareholders in the ensuing Annual General Meeting. The total dividend (including interim dividend) for the financial year 2010-11 is ₹ 7.50 per share (on face value of ₹ 10/- each).

The accounts of the Subsidiary Companies are consolidated in accordance with the Accounting Standard-21 on Consolidated Financial Statements.

The Company's main business is to provide finance for power sector. Accordingly, the company does not have more than one segment eligible for reporting in terms of Accounting Standard-17 issued by the Institute of the Chartered Accountants of India.

Pursuant to Clause 41 of the Listing Agreement, the details of Investors complaints are given below:-

Listed Securities	Pending as on 01.01.2011	Received during the quarter	Resolved during the quarter	Pending as on 31.03.2011
Equity Shares	Nil	160	160	Nil
Debt Securities	Nil	13	13	Nil

For Rural Electrification Corporation Limited
Sd/-
(H. D. Khunteta)
Chairman and Managing Director

: New Delhi
24th May, 2011

TOTAL INCOME
Rs. 8495 CRORE
UP 27%

PAT
Rs. 2570 CRORE
UP 28%

PBT
Rs. 3477 CRORE
UP 31%

DISBURSEMENTS
Rs. 24519 CRORE
UP 16%

EPS
Rs. 26.03
UP 12.88%

Net NPA
0.0024%

As a part of Green Initiatives in the Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, vide its Circulars Nos. 17/2011 and 18/2011, dated 21st and 29th 2011, permitted service of documents through electronic mode in place of physical mode to all the Shareholders. Your company also keenly desiring to participate in such initiatives, request areholders to send their Email IDs along with DP ID/ Client ID to cs.recl@karvy.com before 30th June, 2011 to enable your Company to serve annual report etc., through email.

ral Electrification Corporation Limited (A Government of India Enterprise)
e-4, SCOPE Complex, 7 Lodhi Road, New Delhi-110 003,Tel. : 24365161 Fax: 24360644,
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BT 10 JULY 11

Go Back to School to Earn

The fast-growing education sector is throwing up varied jobs, says Manu Kaushik

With private players, foreign funds and government institutions pitching in, the education sector in India is expanding fast, throwing open a host of new job opportunities.

The education deals that have been signed are many and varied. Since January 2010, a total of 48 deals worth $448.65 million (₹2,019 crore) have been sealed in this space, estimates VCCEdge, the financial research platform of investment data outfit VCCircle. Players ranging from housing finance major HDFC to British publishing giant Pearson have all stepped in. While HDFC is funding Kaizen Equity, India's first education-focused private equity fund, and has also invested in Career Launcher, which runs the Indus World School chain, Pearson has taken over online tutorial services provider TutorVista. "Be it trainers, teachers, product and content developers or business development executives, the need for talent is being felt across the entire value chain of the sector," says Sangeeta Sabharwal, Senior Partner at search firm Transearch India. The sector will add 107,000 jobs in 2011, says a study by human resources service provider Ma Foi Randstad.

Already, poaching has begun. Last year, Tata McGraw Hill Education India roped in Atul Negi, National Head of Sales and Operations at Manipal Education to head its education services business. In April, Pearson Education India signed on Ranu Kawatra, Chief Advocacy Advisor at education entrepreneurial venture iDiscoveri as CEO.

DEEPAK G. PAWAR

WHO IS HIRING:
Pearson Education, Everonn Education, Educomp, Manipal Universal Learning, Core Projects and Technologies, New Horizons, NIIT and Stratford University-K.K. Modi Group JV

Of the two broad segments in this sector – the formal and the non-formal – it is the latter that is drawing more investments, thanks to the comparatively relaxed norms. The formal segment comprises schools and colleges, while the non-formal, nursery schools, vocational training, e-learning et al. "Getting the right talent is the key," says M.S. Venkatesh, HR Head at education solutions major Educomp Solutions, which plans to hire 2,500 people in the next year. "There are not enough trained people to fill the vacancies, be it in teaching or in business development."

But they are beginning to trickle in. People from sectors like telecom, financial services and fast moving consumer goods are switching to education. "Even though salary in education is currently lower than in these boom sectors by about 15-25 per cent, people are moving here as they think education has immense growth potential," says Venkatesh.

How do these new education-related jobs pay? Junior level entrants can expect to earn around ₹4 to 15 lakh a year, mid-level ones between ₹20 and 50 lakh. At top levels, salaries are in the range of ₹60 lakh to 2 crore. A curious offshoot of the recent demand has been an increase in the salaries of formal school teachers in the private sector as well. Primary teachers now start at around ₹1.8 lakh per annum, trained teachers who are graduates get around ₹3 to 3.6 lakh, post graduate teachers earn between ₹4.2 to 4.8 lakh, while principals get between ₹6 and 9.6 lakh.◆

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Resident Doctor
Location: Mumbai
Job ID: 9833193
Description: Looking for a male re doctor to look after its operation at the V Residential Colony.

UST Global
Manager- HR (Generalist)
Location: Thiruvananthapuram / Trivandrum
Job ID: 9207267
Description: Deliver customer focused HR services to the Strategic Business Units that contributes to the attainment of the business objectives. The strategic partnership between the HR and the BU impacts the HR services.

Suzlon Energy Ltd
Sr Manager, Design Quality
Location: Baroda
Job ID: 9352061
Description: To deploy Quality Manag Systems in Design and Developmer implement & sustain QFD, active partici in (DFMEA, ECP & ECN Process).. Participation in design checks gate stages.

PwC Service Delivery Center
Senior Manager - Transitions Lead
Location: Kolkata
Job ID: 9854404
Description: The Transition Lead would be primarily responsible for the design, build and deployment of all Transitions management & Service Acceptance processes and tools across the SDC.

Lanco Group
Assistant Manager-HR & Admn
Location: Bilaspur
Job ID: 9364092
Description: The person will take care Admin, Legal and HR activities.

SunGard Solutions (I) Pvt. Ltd
Director
Location: Pune
Job ID: 9851936
Description: The primary role would be Product Engineering (including Development, Support, Testing and Maintenance), Professional Services, and Level 1&2 Customer Support.

Murugappa Group
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Sapient
Senior Associate
Location: Bangalore
Job ID: 9714723
Description: A Senior Associate Technology Level 1 –contributes to Sapient engagements of Sr.Developer/ Sr Designer and managing delivery of a module/modules thru fusion, Enterprise Architecture release(EAR), development and maintenance phases of a project.

Quadlabs Technologies Private Limited
UI Designer
Location: Noida
Job ID: 9312292
Description: Candidate must have knowledge of User Interface (UI) design, prototyping, application design, visual design for intranets/websites and portals, Web designing, Graphic designing.

Sellcraft Softech Pvt Ltd
Software Engineer/ Programmer
Location: Mumbai
Job ID: 9857568
Description: Resource should have experience with SAP PP and should do two Implementation on SAP PP.

Applabs Technologies Private Limited
SAP Practice Head
Location: Hyderabad
Job ID: 9849192
Description: Candidate has worked in the role of SAP Practice Head. Over 12-14 years of experience in development / QA. Experience in pre-sales is must.

Fiserv India Pvt Ltd
AS400 Developer
Location: Noida
Job ID: 9645714
Description: The candidate will work in the team in area of support, maintenance and customization of retail banking product. The candidate will participate in technical walkthroughs, coding, unit testing, system testing, QA and UAT testing support

Qlogic India
ESX Device Driver Development Engineer
Location: Pune
Job ID: 9758250
Description: Familiar with ESX storage/network driver development for various technologies such as FC, iSCSI, and/or TCP offload.

Alliance Global Services
Architect – Java
Location: Hyderabad
Job ID: 9859310
Description: Incumbent must have relevant work experience in Core Java, J2EE, J Unit, HTML/CSS, JavaScript, Sterling Commerce, Web sphere ecommerce, SOA, Web sphere Service Bus etc.

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Sales & Marketing - LT Motors
Location: Faridabad, Lucknow
Job ID: 9705312
Description: Responsible for sales & marketing LT Motors in given territory assigned. Person will be a front-end and would help sales in preliminary generation of enquiries and specifications at the end user place.

Akshay Software Technologies
Sales Coordinator
Location: Mumbai
Job ID: 9828743
Description: Candidate must have 1-3 yrs experience in handling of sales invoices, debit notes, credit notes, C-Forms - all relevant papers connected with sales required.

Acculogix Software Solutions Private Limited
US Business Development Executive
Location: Bangalore
Job ID: 9853368
Description: People must have experience in Domestic Market; Interacting with US Customers; Presales activities; Cold Calling/Outbound calling; Achieve set target in terms of setting up meetings.

India Mart
Marketing Executive
Location: Nasik
Job ID: 9803667
Description: This role is primarily responsible for new client acquisition and business development. Ensuring that the Sales Targets are met .Development of New Clients and/ or markets.

Oracle
Senior Sales Consultant
Location: Gurgaon, Kolkata
Job ID: 9594552
Description: The person should be excellent team player capable of drav resources from a various talent pools and u them as a virtual team.

Infotech Enterprises Limited
Senior Manager-Sales
Location: Hyderabad
Job ID: 9745037
Description: The person will be respor for sales of InfoTech's GIS services ir government sector. These services primarily relate to field survey, land rec digitization, photogrammetric mapping, planning and geospatial software solutions

Saba Software India Pvt Ltd
GM Sales
Location: Mumbai
Job ID: 9667900
Description: Experience in Direct Indirect Sales (VAR, Channel Partners Will be responsible for Licenses and Ser Revenue Including renewals of exi accounts. Experience in Selling Enter Solution Like SAP, PeopleSoft, Oracle etc.

Cognizant Technology Solutions I Private Limited
Sr. Business Analyst
Location: Pune
Job ID: 9722352
Description: Key Responsibilities: Or Sales/BD Development. Pre-sales and sales support. Marketing Etc.

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Finance Superintendent
Location: Guntur, Mysore
Job ID: 9652735
Description: To Assist the Business Accountant in Payment towards purchases/other services Inventory Control Statutory Compliances.

Integreon
Accounts Payable Manager
Location: Mumbai
Job ID: 9836415
Description: Duties: Supervises the activities of subordinates. Reviews accounts payable documents prepared by subordinates for accuracy, completeness and conformance to policy; authorizes for payment.

Syntel Inc
Financial Controller
Location: Mumbai
Job ID: 9844828
Description: Aspirant must have experience in providing Capital Market training, global trade processing, Global Cash Processing and Various systems involved.

Onward Technologies Limited / Onward Group
Account Executive
Location: Mumbai
Job ID: 9861013
Description: Looking for Accounts executive with good communication skills required to work on Tally package.

Goldman Sachs Services Pvt Ltd
Market Risk Management Analyst
Location: Bangalore
Job ID: 9018918
Description: The analyst will be a member of the Bangalore MRMA team. The Corporate Risk team is a part of the Market Risk Management and Analysis (MRMA) Department within the Finance Division.

Gravita India Limited
Accountant
Location: Jaipur
Job ID: 9842215
Description: Responsible for taking care of day to day accounting activities in Tally 9.0. Maintenance of Petty Cash A/C, Bank Reconciliation & finalization of Balance Sheet. Preparation of MIS reports.

Capgemini Business Services (India) Ltd
Accounts Executive
Location: Bangalore
Job ID: 9483369
Description: Applicant must have good experience in OTC process (Cash Application, Collections); Good team handling Skills.

WNS Global Services
Accountant
Location: Pune
Job ID: 9844433
Description: Functions: Accounts Receivable knowledge. Handle charge Backs. Maintaining the customer contact information. Providing Invoice copy or Proof of Delivery. Creation of weekly Credit Control Sheet.

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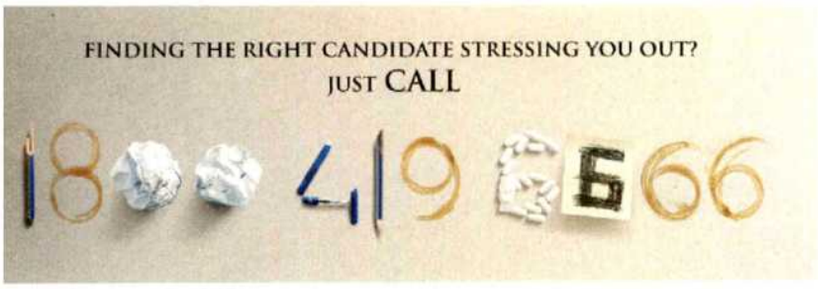

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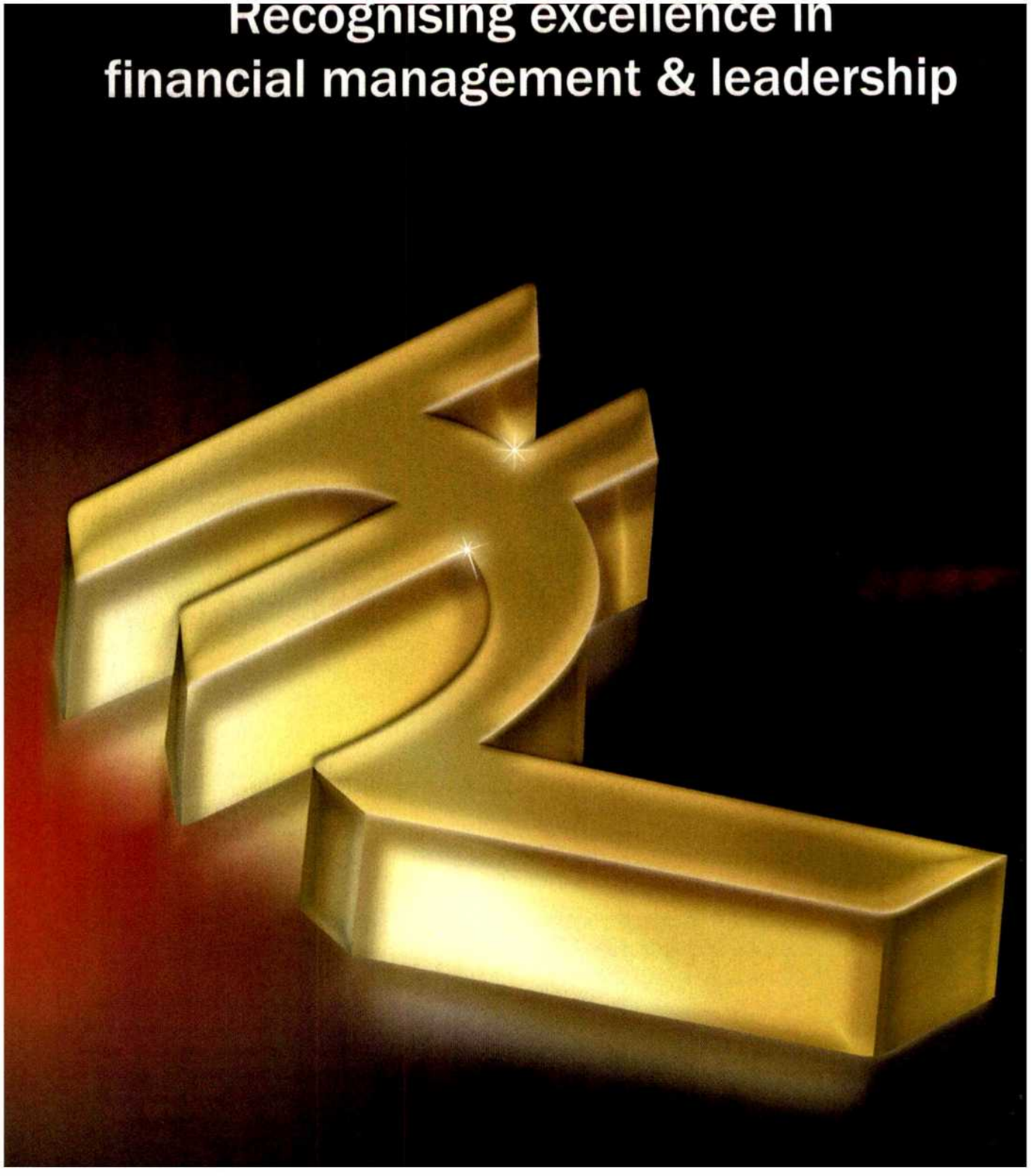
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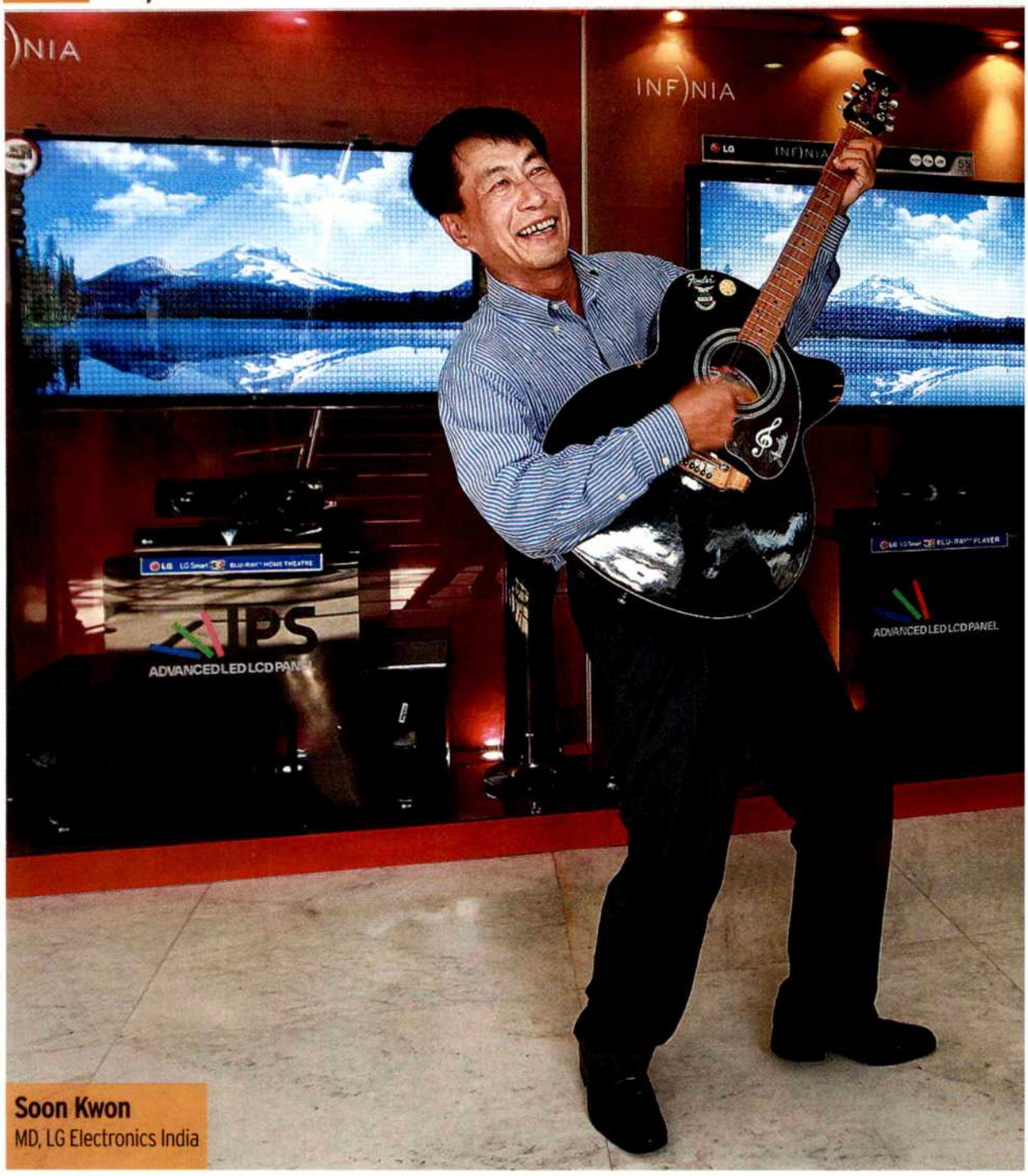


Soon Kwon
MD, LG Electronics India

Life's Hot

The competition in the Indian consumer electronics market may be heating up, but neither that, nor the north Indian summer, are daunting **SOON KWON**, the new Managing Director of LG Electronics India. He recently took his wife and daughter to Agra to see the Taj Mahal. "It was hot, but I am travelling a lot inside India, talking to our people, dealers and customers," he says. "So we had to go to Agra when we could. I've always wanted to see the Taj." He says he has his work cut out for him, as LG's rival Samsung, also a South Korean company, pipped it for the first time in India in 2010. "We have some great new products on the way, and we are determined to be number one in flat panel televisions. We also want to improve our mobile sales," he adds.

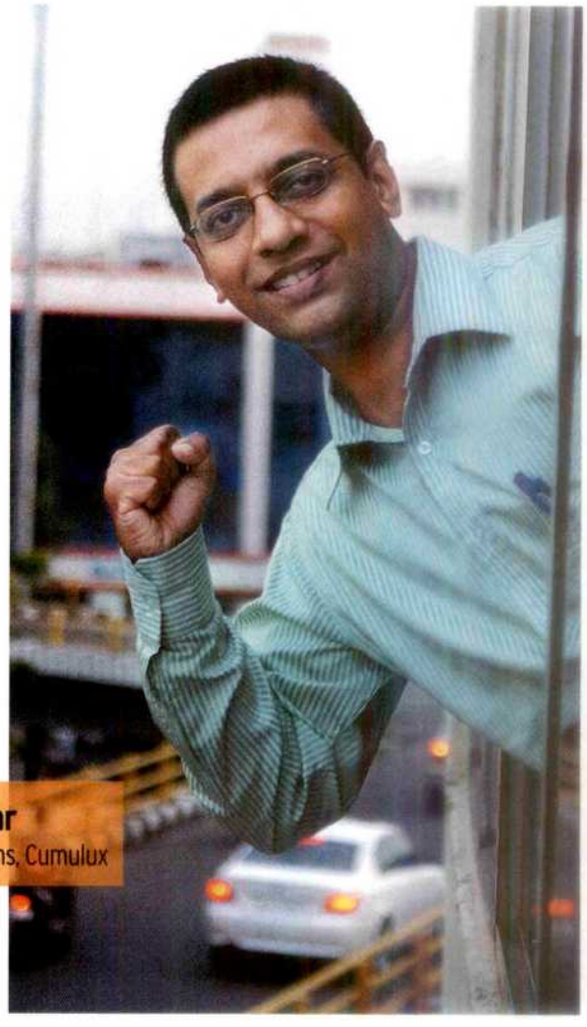
KUSHAN MITRA

SHEKHAR GHOSH/www.indiatodayimages.com

Leader Writer

Journalists do not usually grace these pages, nor, for that matter, do too many former journalists. But **K. BHARAT KUMAR**, the former information technology editor of the *Hindu Business Line* and an engineering graduate of the Birla Institute of Technology & Science, Pilani, has joined Seattle-based Cumulux as the head of its Indian operations. The company, founded by Paddy Srinivasan and Ranjith Ramakrishnan, two former Microsoft employees, is a cloud computing service provider and was named '2010 Global Cloud Partner of the Year' by Microsoft. On his career move, Kumar says: "After 15 years of asking questions about the information technology industry, I have decided to enter the industry to find some answers."

K.R. BALASUBRAMANYAM

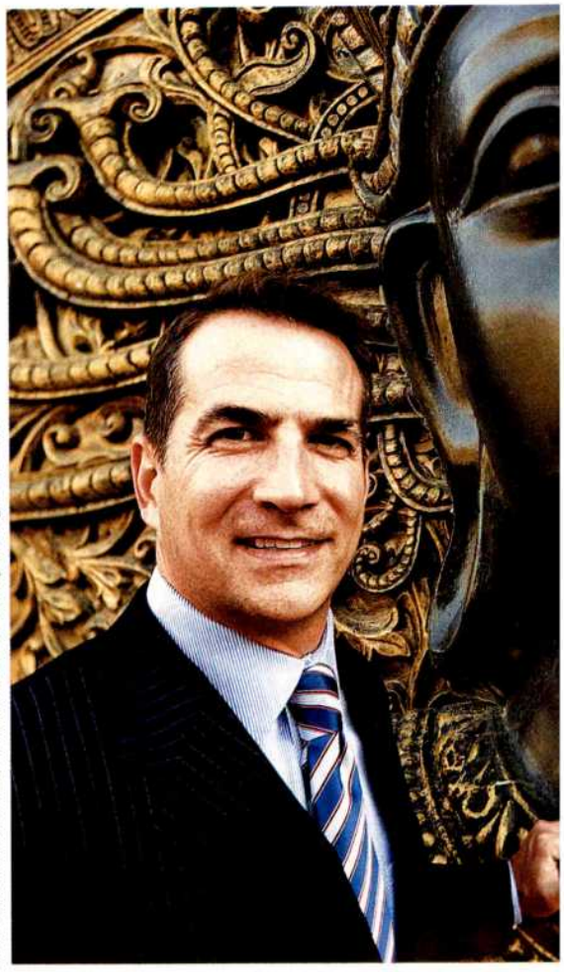


K. Bharat Kumar
Head, India Operations, Cumulux

Talent Factory

What do hardcore manufacturing types do when they are shifted to human resources? **JAMES MCGILL**, Executive Vice President and Chief Human Resources Officer, Eaton Corporation, says: "We use manufacturing terminology for our HR strategy and initiatives." Read that as talent specification, raw material, production process, and distribution. McGill has been working hard to develop the global power management company's leadership pipeline in the country, by identifying the kind of people the $13.7-billion group needs. He is no stranger to this part of the world, having had India on his résumé since as early as 1991.

SHAMNI PANDE



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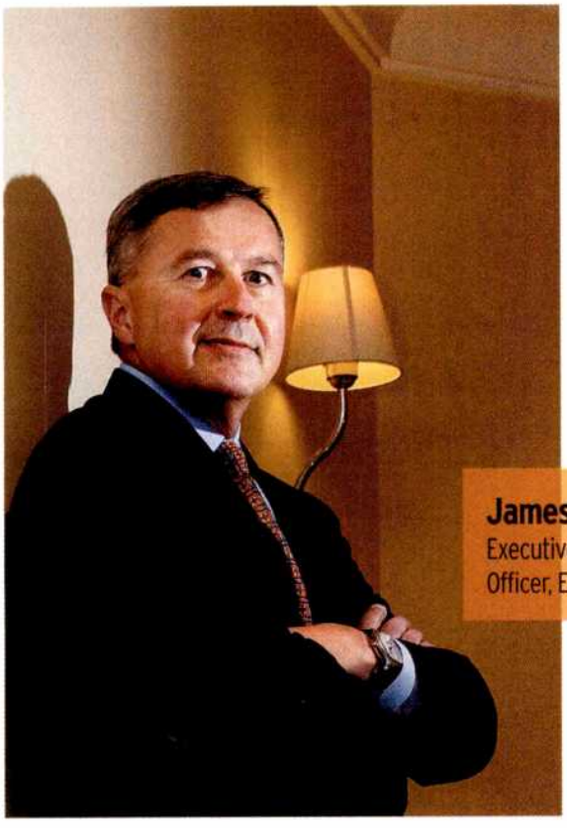

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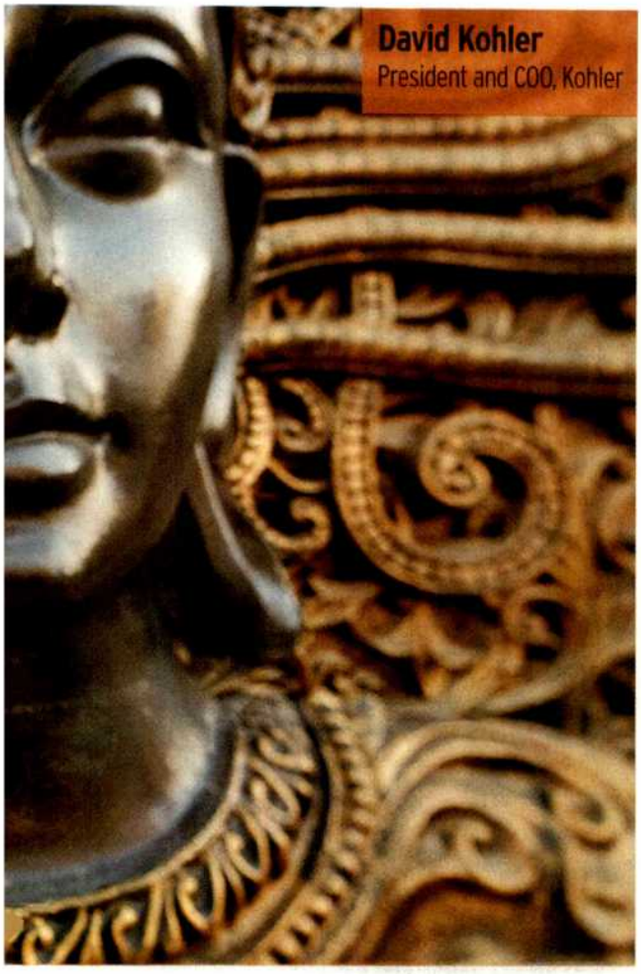
James McGill
Executive VP and Chief HR Officer, Eaton Corporation



David Kohler
President and COO, Kohler

Toilet Tales

Is India ready for a ₹6.5 lakh 'smart toilet'? **DAVID KOHLER**, president of the eponymous company founded by his great-grandfather, certainly thinks so. The Kohler 'Numi' features an interactive LCD touch screen interface, a heated seat, a foot-warmer, a built-in personalised bidet, a music system, and dual-flush technology. Kohler says that the Indian market is growing in the double digits, and is the world's fastest-growing for the brand. "We have invested $100 million here, and want to build our subsidiary with Indians who understand the market," he says. And why Kohler? "No other company can seamlessly combine high technology with high artistry like us."

ANUMEHA CHATURVEDI

Medicine Man

The first time **HARISH IYER,** the new CEO of Shantha Biotechnics, heard about the company was in the late 1990s. His father, who worked for a multinational pharmaceuticals company, often talked about this "small biotech company in Hyderabad that was giving the multinationals a tough time". In 1997, Shantha launched the first indigenously developed recombinant hepatitis B vaccine, Shanvac-B. Priced well below its rivals, the vaccine was developed, manufactured, and marketed by Shantha. Now, Iyer tells *BT* that his goals are to ensure Shantha is recognised as the maker of the highest quality vaccines in India, and that it is the best company to work for. But his first challenge will be to regain prequalification from the World Health Organization, which had recommended the recall of Shan5, a vaccine produced by the company. ◆

E. KUMAR SHARMA

Harish Iyer
CEO, Shantha Biotechnics

V. VAIDYANATHAN

Vice Chairman and Managing Director, Future Capital Holdings

My leadership style

- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Deng Xiaoping

The business leader I admire the most
K.V. Kamath

The leadership lesson I remember the best
Talent without aspiration is like a bird without wings

A book I would recommend on leadership
Leadership on the Line by Ronald A. Heifetz and Marty Linsky

The difference between a manager and a leader
Leaders create opportunities, they don't ride the tide

All good managers are good leaders
No

As told to Anand Adhikari

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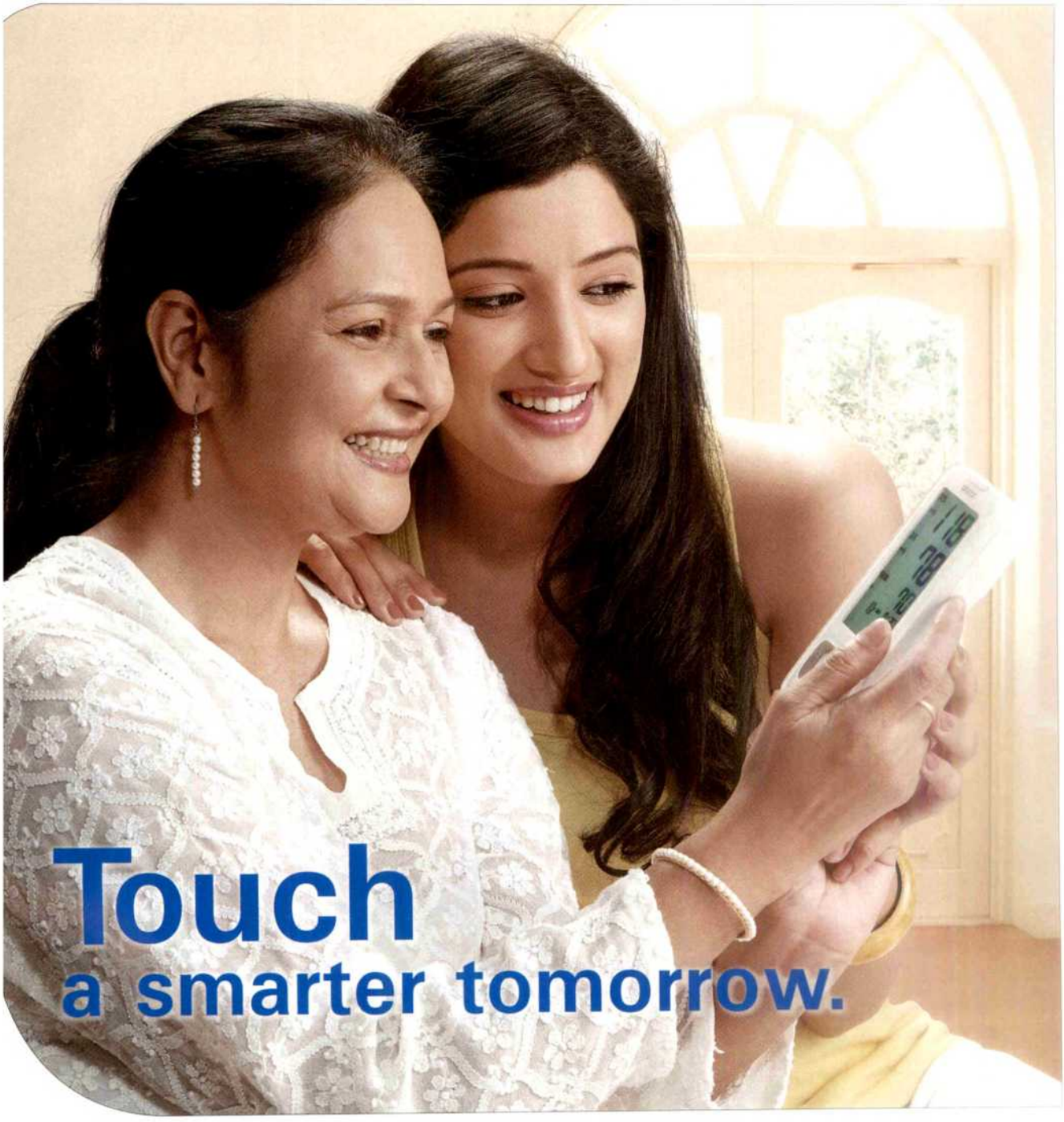

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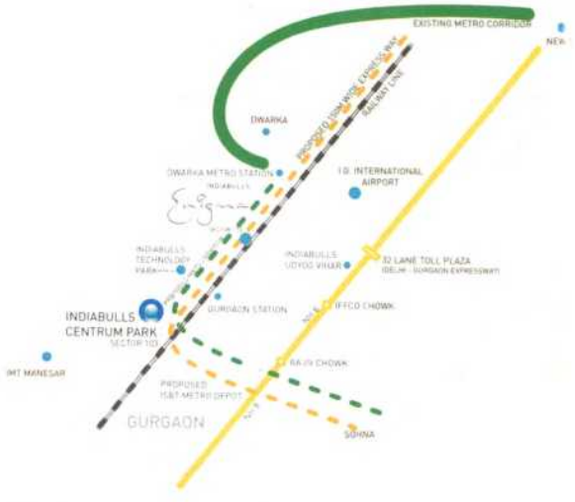

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From the Editor

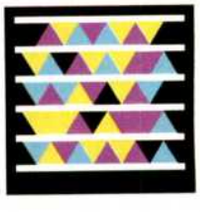
I once knew a Chief Financial Officer who took a course in 'interpersonal skills'. Asked why he needed to learn to get along better with his colleagues, he said: "Because I want to learn to say 'No' with a smile." Bean counters have always been feared for their attention to budgets, line items, and headcount. Some of them have become well known for less admirable reasons. Andrew Fastow of Enron and Srinivas Vadlamani of Satyam are both doing jail time after their companies vaporised in spectacular fashion, leaving thousands of shareholders holding worthless scraps of paper.

The CFO of any modern corporation is right up there beside the Chief Executive Officer in power, responsibility and accountability. The British got it right a long time ago – the Chancellor of the Exchequer lives at No. 11 Downing Street, next door to the prime minister. No wonder many CFOs make an effortless transition to the chief executive's office, for instance Anil Singhvi, who moved from CFO to CEO at Gujarat Ambuja Cements, or Akhil Gupta, currently Deputy Group CEO and Managing Director of Bharti Airtel.

T.V. Mohandas Pai, who won his share of Best CFO awards before moving to greater challenges at Infosys, notes that Indian CFOs are among the best in the world but constrained by the tools they lack compared with their peers in the West. We all know that a good CFO matters very much in devising the right strategy for a company. Pai says Indian CFOs score high on compliance, but "the bigger issue is that their ability to be active in the market is smaller"; they can raise capital but at a steeper price, and they can hedge only so much because of the lack of capital-account rupee convertibility.

Nominations for this year's *Business Today*-YES Bank Best CFO Awards, the fourth time this honours list is up in lights, were vetted by a very finicky jury. The winners' numbers stack up impressively, but the twelve men and one woman have interesting lives, as you will find when you read their profiles starting on page 58. Yes, women are a minority in this community, too, but don't miss our excellent analysis of why there aren't more of them on page 88.

Business Today has its head in the clouds, in a manner of speaking. If you haven't already, go see www.twitter.com/bt_india and www.facebook.com/businesstoday. Over the past few months, I'm sure you have noticed a growing number of links on our pages to audio clips and full interview transcripts on our website. This fortnight, we launch two spin-offs that will make the magazine more interactive and exciting. If you scan this Microsoft tag, a new kind of bar code, your mobile phone will automatically open a web page (in this case a photo gallery of CFOs). Our multimedia reportage does not stop there. Starting from this issue of *BT* you can click on prominent links to view video shot by our writers. Soon you might be able to virtually visit our humming office, dear reader, with just a #beam hashtag. You never know.



Chaitanya Kalbag

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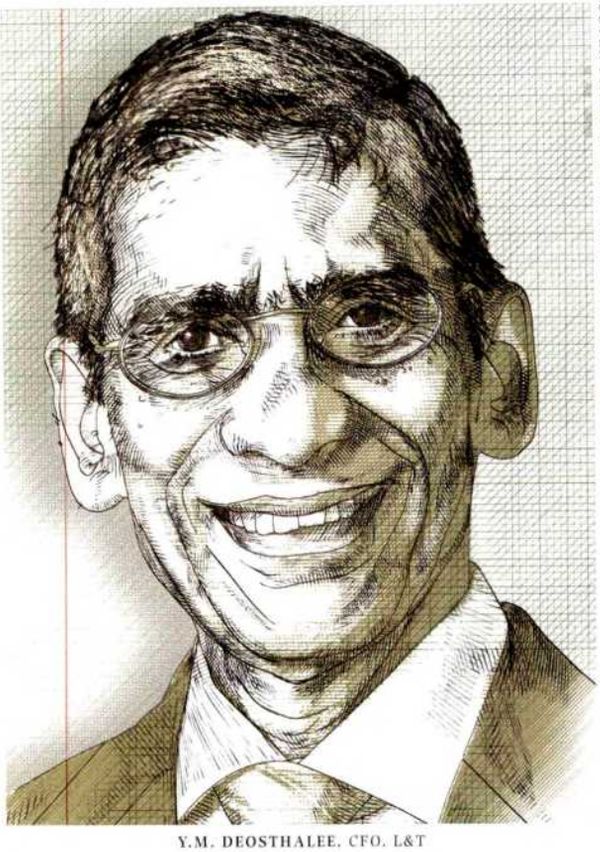

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BT makes it easy to get photos and text from its online edition with a Microsoft tag

Microsoft tag

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MARUTI SUZUKI
Way of Life!

23087

"Adrenaline rush at Rohtang was my Ritz Moment

Deepak

Once I decided to go to Rohtang valley in my Ritz. Many people suggested that I should not drive at an altitude of 3979m because it will be difficult for the car to go so high. But I took up this challenge. The roads to Rohtang valley were in a very bad condition but the drive was very comfortable and smooth. My Ritz moment came when we had to take a sharp U-turn. While many big cars tried three-four times, Ritz managed to take the sharp U-turn in a single shot. I was filled with pride driving my Ritz and am still living that moment."

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Age of Eureka

The cover story, *100 Years Young* (July 10), is a great compilation of Indian industrial history. Those were the golden years when India laid the foundation stone of its growth and also made its presence felt in the global arena. Companies such as Tata Steel, ITC, Kirloskar, and TVS Motor have paved the way for several other companies not only in India but overseas too. Overall, the entire package made for an interesting read. But I would like to mention that newspapers such as *The Statesman* and *The Hindu* should have been added to the list as both of them have witnessed and reported important events like India's independence struggle, Emergency, new economic reforms and others.

Chhanda Das, *New Delhi*

King of Canvas

As the world mourns Maqbool Fida Husain's death, it is heartbreaking to recall how a painter as great as he had to spend the last years of his life in self exile following threats from Hindu fundamentalists (*At Home in the World: M.F. Husain*, July 10). He has certainly spearheaded the modern Indian art movement over the last few decades. He left India in February 2007 and moved between London, Dubai and Qatar. In the past five years, the 90-plus artist and filmmaker had nursed the desire to come back to India, even if it was only temporarily. It is very unfortunate that our government could not bring Husain back – someone who had devoted his life for the renaissance of modern Indian art.

Mahesh Kumar, *New Delhi*

Companies such as Tata Steel, ITC, Kirloskar, and TVS Motor have paved the way for several other companies, not only in India but overseas too

Three Cheers

Kudos to Mangalore Electricity Supply Company, Madhya Gujarat Vij Company and Andhra Pradesh Southern Power Distribution Company for doing their bit to save power. The way the three companies have managed to stem distribution losses in this day and age is rather impressive (*Light on the Horizon*, July 10). I wonder whether such models will work for metropolitan cities like Delhi, Kolkata and Mumbai, where power cuts have become a major hurdle. Hopefully, others will follow suit because if one goes by the new-age reality, "every unit saved is worth two generated".

R. Singh, *Chandigarh*

www.businesstoday.in@coverstory: *100 Years Young* (July 10) is a look at the journey of Indian firms that have seen it all – World Wars, the freedom struggle

www.businesstoday.in@coverstory: *India's Coolest Start-ups* (June 26) is *BT*'s fifth annual listing of new companies most likely to shine in coming years

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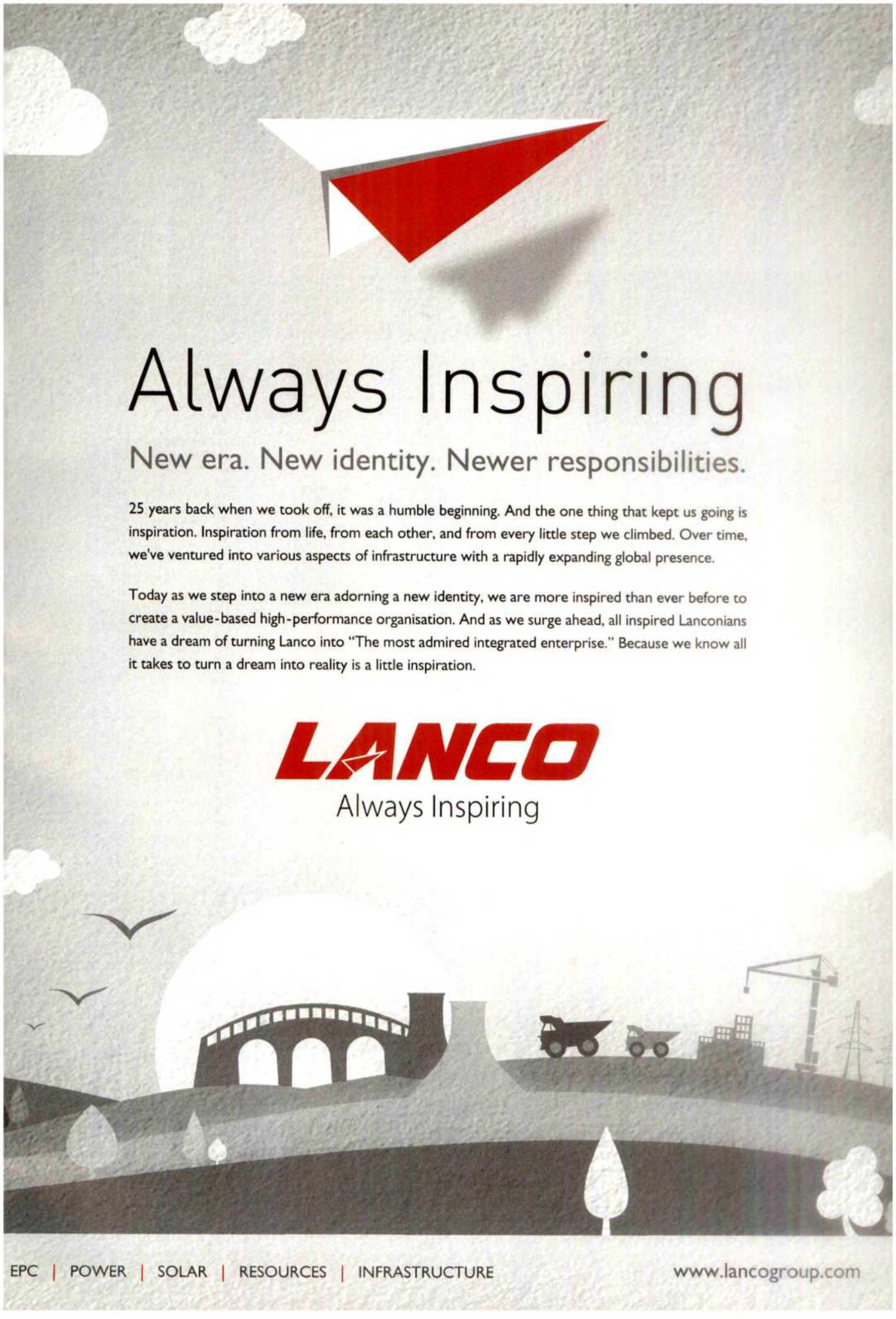
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Go Back in Time Online

The past 100 years have seen two World Wars, India's Independence and end of the Licence Raj. See a slideshow of several companies that have weathered all these storms and more, as *Business Today* looks at India's 100-year-old corporations, including two web exclusives – DCM and Bombay Dyeing.

businesstoday.in/onehundred

Business Quiz Online

Find out how well you know Indian brands and business in our newest feature – the never-ending online business quiz. Log on to test yourself.

businesstoday.in/quiz

Superphone or disaster?

Business Today's Manasi Mithel reviews HTC's Sensation – and the claims that it may suffer from a "death-grip" problem similar to the initial iPhone 4.

businesstoday.in/sensation

Blog

E. Kumar Sharma

IIM Ahmedabad's groundbreaking push to standardise placement data faces serious challenges.

» businesstoday.in/kumar

Unilever, Redux

Before he became the new COO at global FMCG giant Unilever, Harish Manwani sat down with *BT* editor Chaitanya Kalbag. Read excerpts from the interview.

businesstoday.in/manwani-coo

Black Hole

It's impossible to establish just how much black money has been funnelled out of India, and it's going to be very difficult to get it back, says former CBDT member Durgesh Shankar.

businesstoday.in/shankar

Start-up Today

The perils of pirated software and the innovative comedies of a bunch of IIT-grads show up this week on Start-up Today.

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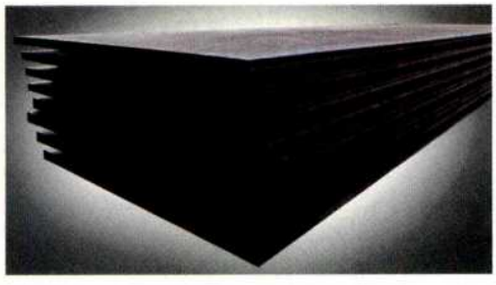

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PTI

Partners-in-reforms: US Treasury Secretary Timothy Geithner and Union Finance Minister Pranab Mukherjee harped on the continuing India growth story, underpinned by robust domestic demand and high savings, at a meeting in Washington on June 28

Corporate

The second round of the quarterly *Business Today*-C fore Business Confidence Survey shows companies expect the slowdown to worsen. The Business Confidence Index fell to 64.4 in the April-June quarter from 74.8 in the January-March quarter. *Pg 46*

Fuelling more worries on rising input costs for the corporate world and spiralling inflation, the government announced a 9 to 20 per cent hike in the prices of diesel, LPG for domestic use and kerosene. Diesel and kerosene prices were raised by ₹3 and ₹2 per litre, and that of cooking gas by ₹50 per cylinder. Truck rentals and freight rates are thus set to go up. The price hike will cut the losses of the government-controlled oil marketing companies by ₹21,000 crore. But the customs and excise duty reductions will result in an annual revenue loss of ₹49,000 crore to the exchequer.

The Supreme Court has directed the West Bengal government not to return the land at Singur, originally allocated to Tata Motors for its Nano small car factory, to farmers, till the Calcutta High Court takes a decision. This is only an interim relief for Tata Motors as the court did not express any opinion on the merits of the case. The court also did not specifically forbid the state government from carrying out land surveys, or starting the pre-distribution process of accepting forms from farmers.

At last, the government has allowed Anil Agarwal's Vedanta to acquire a controlling stake in the Indian assets of Cairn Energy. Cairn and Vedanta will have to bear the royalty burden for the Rajasthan oil fields, vindicating ONGC's stand. Also, Cairn has to withdraw all cess arbitration cases.

The battle to grab Net users' eyeballs is intensifying. In its answer to Facebook, Google has rolled out a new social networking product. Google+ can also be integrated with your mail, search and news functions. The Indian face behind the project is Vic Gundotra, Senior Vice President at Google. Meantime, Microsoft has launched its answer to cloud computing, its ongoing effort to keep Google at bay in office software. Its Office 365 is where Office meets the cloud, said Microsoft CEO Steve Ballmer. The product combines Web-based versions of Word, Excel and other Office applications. Office 365 allows multiple users to jointly collaborate and edit documents in real time, from PC browsers and mobile devices. According to comScore Data Mine, in May, Google sites became the first web properties to surpass one billion unique visitors. Microsoft sites came second with 905 million, while Facebook's score was 713.6 million.

Another Indian is climbing the global corporate ladder fast. The world's second-biggest consumer goods major Unilever has appointed Harish Manwani as its chief operating officer. He is the first to be appointed to this new post. Manwani, Unilever's president for Asia, Africa and central & eastern Europe, and non-executive chairman of Hindustan Unilever, will assume the new position on September 1. *Business Today* first raised the issue of his elevation to the next level in an exclusive interview (see Cover Story, June 12). Replying to a question, Manwani had spelt out his organisation's priorities to *BT*: "The one thing we are definitely trying to do is bring about a sharper performance culture."

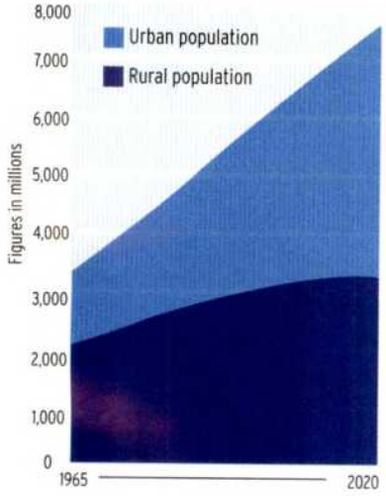
SANTOSH

Finally, French Finance Minister Christine Lagarde was elected Managing Director of the International Monetary Fund amid the debt crisis in Europe. Marking another change, Italy's Mario Draghi has been appointed the next president of the European Central Bank from November 1, 2011. He will replace France's Jean-Claude Trichet. As the Eurozone's monetary policy chief, he will have his hands full dealing with troubled nations such as Greece.

Economy

By the end of 2020, the planet will have 7.7 billion people. Most of this population growth (86 per cent) will take place in large urban centres in developing countries. As per capita incomes in many poor nations are likely to increase by as much as 50 per cent over the next decade, demand for higher value-added food products will rise sharply, according to the latest OECD-FAO outlook.

Changing World



Source: OECD-FAO outlook

India's first-ever socio-economic and caste Census to identify people living below the poverty line, or BPL, has begun. The door-to-door exercise is being conducted electronically, using low-cost handheld devices produced by Bharat Electronics Ltd. The entire exercise will be completed in 2012. The results will be utilised to effectively target welfare schemes for the poor in the 12th Plan, from 2012/13 to 2016/17. This is the first caste census in the country after 80 years.

$75 bn

Private equity and venture capital investments in India are likely to touch $70-$75 billion in 2015, according to audit and advisory firm Grant Thornton.

$2.06 bn

Indian companies have raised foreign loans of over $2.06 billion in April through external commercial borrowings and foreign currency convertible bonds, to part finance their expansion plans. It compares with the $5.63 billion that over 100 companies raised in March.

5.3%

Growth of eight core industries – crude oil, petroleum refinery products, natural gas, fertilisers, coal, electricity, cement and steel – in May. This compares with 7.4 per cent in the same year-ago period.

Markets

Asset quality of banks continues to worry analysts. These assets could deteriorate further to 2.7 per cent of total advances in the current financial year due to pressure on interest rates, according to ICRA. The gross NPA percentage for banks could increase to between 2.3 and 2.7 per cent by March 31, 2012, from 2.3 per cent in the previous year. (Also see, *Stressed Bank of India, BT*, June 26)

The Reserve Bank of India has extended the time period for buy-back of foreign currency convertible bonds, or FCCBs, issued by corporates till March 2012. It has allowed repayments through fresh external borrowings. This quells fear of default by issuers of FCCBs. (See *Restless at Redemption, BT, June 26*)

India has decided to allow foreign retail investors to cumulatively buy up to $10 billion worth of Indian shares through domestic mutual funds. The market regulator will issue guidelines by August 1. *Pg 18*

Coming Up

The Internet Corporation for Assigned Names and Numbers, or ICANN, will accept applications for domains with new suffixes from January 12. That will include suffixes in Arabic, Chinese and many other scripts. Just in case you are rushing to open a website address, consider this: a unique suffix will cost you £115,000 as set-up fee, and £15,000-a-year-subscription. As against just 300 odd suffixes that are available today, the bulk of them country-code domains, millions of suffixes could now be created and categorised.

FOCUS

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Dark Clouds

Policy action needed to free the farm sector from the vagaries of the monsoon, says Devinder Sharma

In 2009, the Indian Meteorological Department, or IMD, predicted a "near normal" monsoon. But the year saw one of the worst droughts in recent times. So this year, with the IMD projecting a "below normal" monsoon, alarm bells have already begun to toll. For a government struggling to keep runaway food inflation under control, there appears to be more trouble ahead.

Although it is early to assess its impact on the kharif crop, and the cascading effect that will have on food prices, a weak monsoon is likely to make matters worse. The IMD expects us to believe that strong and weak phases are a common feature of monsoons. But it is the geographical spread and the intensity of the monsoon that have always kept policy planners on tenterhooks. With the warning of a weak monsoon having already been sounded, one expects the government to swing into action and prepare for contingencies in agriculture, water resources and power. But that may not happen, simply because in the past the government has failed to demonstrate its preparedness to meet any eventuality arising from a failure of the monsoon.

While the impact of a weak monsoon on agriculture is always measured in terms of a shortfall in produc-

tion, it is the resulting agrarian distress that is much more worrying. Since 60 per cent of the farm sector is completely dependent on the monsoon, determining its spatial distribution and duration is crucial for perspective planning. There have been years when monsoons have appeared to be normal, yet parts of the country have either gone dry or witnessed severe floods. Last year, Bihar and Jharkhand witnessed severe drought while the rest of the country received bountiful rains. This year, the forecast is for a break in monsoon after its normal entry in June in the northwestern parts of the country, and thereafter the rains coming in lesser intensity over the south peninsular region comprising Kerala, Karnataka, Andhra Pradesh and Tamil Nadu.

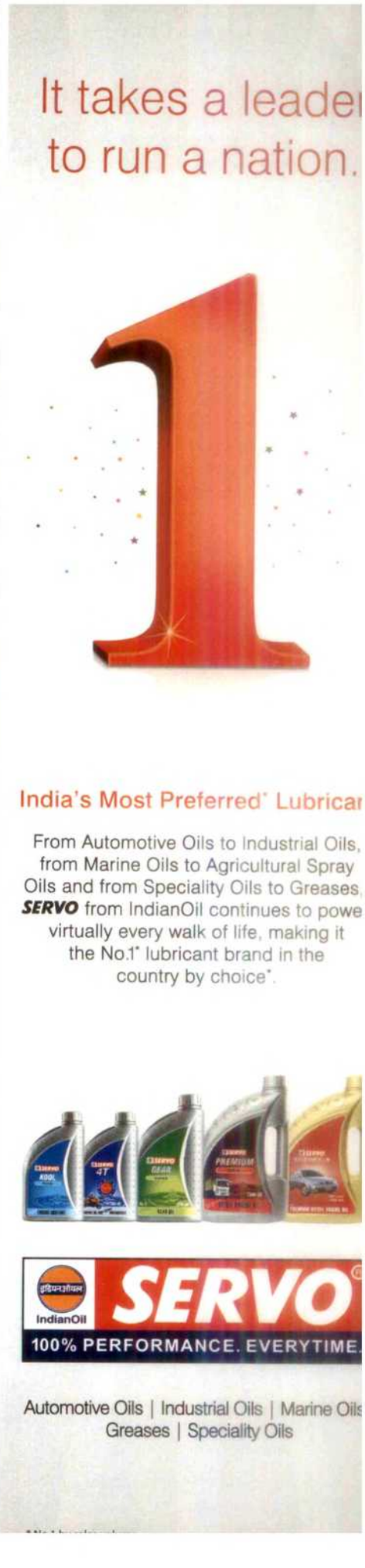
If the droughts of 1987, 2002, 2004 and 2009 are anything to go by, any significant shortfall in rainfall intensity and its geographical spread will spell doom for the beleaguered farming community. While the hapless farmers wait endlessly for the rains, it is the resulting agrarian distress that pushes them deeper and deeper into the quagmire of poverty and hunger. Even if the rains come on time in June and then disappear for the next two months, and then again there is a heavy downpour in August, the average performance would be termed near normal. But in the process, the entire freshly-sown crop would have withered away necessitating either re-sowing or, for many, abandoning the kharif crop altogether.

In the event of crop failure and re-sowing (for which seed comes at an exorbitant price), the sale of cattle is the first sign of distress. Eventually, there is forced migration pushing from the heartland of Bundelkhand in Uttar Pradesh and Madhya Pradesh to the cities in search of menial jobs. I have often seen farmers and farm workers migrating to places as far as the cold desert of Ladakh, even though they are not used to its harsh climate. The search for a minimal livelihood can take them anywhere. If the Mahatma Gandhi National Rural Employment Guarantee Act was working efficiently, I see no reason why such large-scale migrations would not have been contained by now.

To make matters worse, the paltry drought relief doled out by governments only adds to the farmers' misery. Despite the digital revolution and satellite imageries, drought assessment has remained primitive. For several years now, reports of drought relief cheques of ₹10, ₹30 and ₹110 have been in the headlines. For business and industry faced with recession in 2009, the government had doled out an attractive economic revival package which has still not been withdrawn. But for the poor farmers and landless labourers reeling under a bad spell of monsoon, and somehow surviving on the margins, the government has invariably failed to provide a farm revival package.

What is not being realised is that the farmer is not only a producer but also a consumer. Unlike in the United States where the consumer is not a producer, in India 60 per cent of the population comprising farm producers are also consumers. A farmer needs money in hand to indulge in some levels of consumption. A healthy and vibrant rural economy, therefore, can have a domino effect on the national economy. Unless all-out efforts are made to prop up the sagging farm sector, trade and industry will fail to show the desired results. The warning of an impending drought is a perfect time to bring in suitable policy initiatives that can change the face of the rural economy. After all, let us not forget agriculture remains the mainstay of the Indian economy.

The author is a food policy analyst



Capital Designs

Two schemes seek to draw foreign insurance and pension funds to India's capital markets and its infrastructure sector. By SANJIV SHANKARAN

What is proposed

The government recently unveiled the modalities for two separate schemes that had been announced by Finance Minister Pranab Mukherjee in his 2011 Budget to boost the capital markets and infrastructure financing. According to guidelines issued by the finance ministry, qualified foreign investors, or QFIs, will be allowed to invest up to $10 billion, or ₹45,000 crore, in India's stock markets through mutual funds under the supervision of the Securities and Exchange Board of India, or SEBI. QFIs that meet Know Your Customer, or KYC, requirements will be allowed to buy units of Indian mutual funds through depository participants.

The guidelines for infrastructure debt funds, or IDFs, instruments designed to raise long-term debt for infrastructure, allow creation of two kinds of IDFs: either a mutual fund regulated by SEBI or a finance company regulated by the Reserve Bank of India, or RBI. IDFs set up as mutual funds will issue units to investors, primarily domestic and overseas institutional investors, and invest at least 90 per cent of their assets in debt instruments. IDFs in the form of companies can also target foreign investors by issuing dollar-denominated bonds, and are relatively less risky investments. Both these IDFs will aim to raise long-term money with a maturity of at least five years, but since they will also be tradeable, investors will have the flexibility to exit early.

What will change

At present, offshore investments in the Indian stock markets are restricted to foreign institutional investors, or FIIs, and sub-accounts registered with SEBI and non-resident Indians. The entry of QFIs will broad-

RAJAT BARAN

base the flow of foreign investment into the Indian stock markets as well as the domestic mutual fund industry. In addition, it is expected to moderate volatility in the capital markets, which at present are dependent on FII funds, considered hot money. "QFIs will give more depth to market and safeguard against volatility," says Thomas Mathew, Joint Secretary in the finance ministry. Strict KYC checks will ensure that dubious investors are kept out.

The Planning Commission estimates that India needs about $1 trillion to meet its infrastructure needs over the next five years (2012/17). The private sector is expected to raise about 50 per cent of the money, making it important to look at different ways of bringing in more funds. Banks find it difficult to provide long-term funding because of RBI stipulations on asset-liability ratio and loan exposure limits. IDFs are expected to provide long-term, low-cost debt for infrastructure projects. Fiscal concessions provided by Mukherjee to IDFs in the budget – such as the reduction in withholding tax on interest payments on borrowings from 20 to five per cent – will make it attractive for overseas insurance and pension funds to invest through the NBFC route, which is also less risky. Withholding tax is charged on repatriation of income from equity or debt.

Global experience

China funded its infrastructure by locking in large amounts for the long term, especially from insurance companies. Elsewhere, vibrant bond markets played a key role. India's bond market is shallow. IDFs try to bring together the best of both worlds by locking in long-term money and simultaneously help the evolution of a secondary market for bonds.

WORDSMITH
(NEW WORDS IN BUSINESS)

Hathos

What it means: A mix of 'hate' and 'pathos', it gives a name to the feeling of pleasure derived from hating someone or something.

Origin: Invented by American journalists in the 1980s. First appeared in print in an article in *The Washington Post* in 1987.

Usage: "I have such hathos for my boss, I would miss him if he quit the company."

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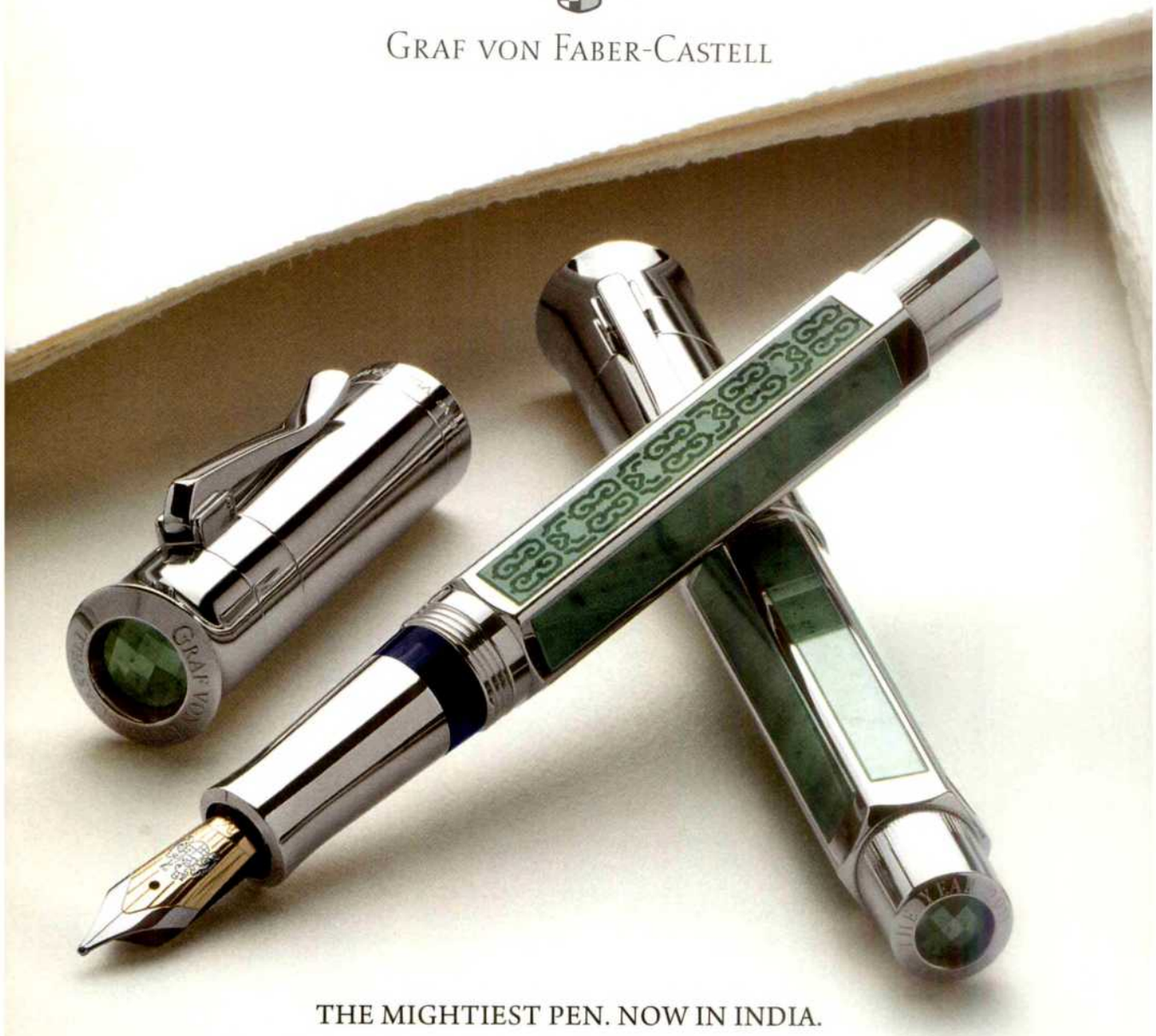

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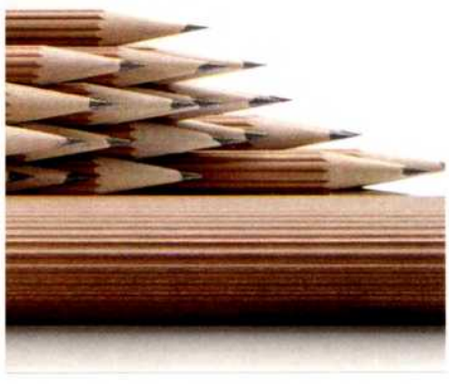

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Palliative, Not Cure

SEBI's move to boost derivatives trading is a short-term fix. By MANU KAUSHIK

What's proposed: To broaden and boost derivatives trading in the country, market regulator Securities and Exchange Board of India, or SEBI, has decided to allow stock exchanges to introduce liquidity enhancement schemes, or LES, in their equity derivatives segments. The exchanges will be allowed to design these schemes to suit their needs. They will also be allowed to offer incentives within specified limits to market makers. A market maker is a broking firm or market intermediary that gives quotes for a financial instrument and enables trading in securities at any time. New exchanges, such as MCX-SX and United Stock Exchange, can use LES for any of their new products. However, old exchanges, such as BSE and NSE, can use LES only for illiquid securities, in which the average trading volume for the last 60 trading days is less than 0.1 per cent of the market capitalisation of the underlying stocks. The schemes will end when the average trading volume reaches one per cent of the market capitalisation, or in six months, whichever is earlier.

What will change: At present, stock-specific trading accounts for just 18 per cent of the overall trading in futures and options, or F&O, on NSE (the remaining 82 per cent is in index F&O). Although NSE offers trading in 233 stocks in its F&O segment, the bulk of the transactions are in only about 10 heavyweight stocks, including SBI, Tata Motors, and Reliance Industries. Equity derivatives trading on BSE is in worse shape: it barely occurs. SEBI's move is expected to add depth and reduce the current lopsidedness in the derivatives trading.

Implications: Introducing such schemes could increase liquidity, but market experts say that this will not translate into drastic changes. "Market-making can be classified as induced liquidity, which leads to short-term liquidity enhancement, while actual liquidity is a function of increased participation by different classes of investors," says Vijay Kanchan, Vice President and Head of Derivatives, JM Financial Services, referring to the poor participation by insurance firms, mutual funds and pension schemes in the derivatives markets. He points out that insurance firms and pension funds are sitting on piles of cash. "But they cannot invest in F&O markets because of regulatory issues," he adds. "Mutual funds could invest, but they have been marginalised after SEBI's decision last year to bar them from writing options." On June 22, mutual funds bought derivatives worth just ₹589.87 crore out of a total of ₹88,698 crore derivatives bought on NSE. "SEBI should also consider rationalising the minimum contract size – in terms of either value or lot size – which will attract new and smaller retail investors," Kanchan says.

SANTOSH

BENGAL BYTES

Cognizant proposes big investments in West Bengal

₹500-600 CR

Cognizant's proposed investment in a new information technology software campus

30,000

The number of jobs that Cognizant's proposed software campus is expected to generate

12,000

The number of people currently employed by Cognizant's two existing facilities in Kolkata

$500 MN

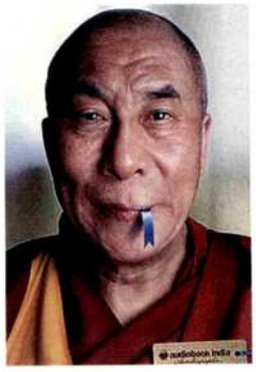
The sum Cognizant plans to spend on expanding its campus footprint in India by the end of 2014

50,000

The number of jobs expected to be created by Cognizant's expansion programme in India by 2014

Yes, We Cannes

Once again, Indian advertising agencies win Lions by the dozen. By ANUSHA SUBRAMANIAN



Audiobook India campaign, which won a Silver Lion

Stills from the award-winning ad film *Silent Anthem*

Indian advertising has scored once more. The industry bagged 24 Lions this year at the Cannes Lions International Festival of Creativity in June: three golds, 10 silvers, 10 bronzes and one award for creative effectiveness. This year's tally beats last year's, which was 17 Lions. The highest number of Lions won by Indian agencies was 25, in 2009. In 2008, they notched up 21, including a Grand Prix, the highest award in the competition.

It was a far cry from the mid-1990s when India began its Cannes tally with just two awards – one for the "How to kill a mosquito" campaign for Hoechst's Hexit mosquito repellent, and the other for the "One black coffee, please" ad for Ericsson mobile phones.

Until the year 2000, Indian agencies made virtually no news at Cannes. They hardly sent in entries, and just a handful of senior executives attended the event. Only the occasional jury member was Indian.

It was not just India. China and Japan too remained low-profile. The reason was not that they could not create good advertising. Rather, it was because advertisements that worked in these countries did not seem to work on international juries. "For many years, we believed that advertising from countries with different cultural codes (from the West) had no chance of winning awards that are decided by international juries," says M.G. Parameswaran, Executive Director and CEO, Draftfcb Ulka. But the scenario has changed drastically across Asia in the past decade.

So what brought about the change for Indian agencies? "Being present at Cannes has become important for global recognition, and winning here is like winning an Oscar," says K.V. Sridhar, National Creative Director, Leo Burnett India."

"We can now make better quality entries, we can voice our opinion in the highest forums, and, most importantly, India is no longer just seen as a land of snake charmers and elephants," adds Parameswaran.

With 1,177 entries, India was the sixth-largest participant in terms of the number of entries at Cannes this year. Industry stalwarts say the country's position in the global economy is playing an important role in its wins.

Santosh Padhi, co-founder of advertising agency TapRoot India, says two other reasons for India's improved performance are that execution standards have risen tremendously, and clients are willing to pay for cutting-edge work. TapRoot India won a silver this year, in the outdoor category, for its campaign for Audiobook India, a publisher of biographies. There were three creatives in the campaign – the Dalai Lama, Nelson Mandela and Adolf Hitler – that showcased the use of bookmarks in audio books.

However, Padhi says India still has a long way to go. "Everything you do will have to be linked to digital media," he says. "That's what I see here at Cannes. We have to generate ideas that include digital. Currently, that's happening on a minuscule level in India."

Bobby Pawar, Chief Operating Officer, Mudra Communications, says that presenting one's work at Cannes is also an opportunity to learn about the best work elsewhere in the world. Mudra Communications leads the India tally with 39 points this year. It has notched up three silvers, five bronzes and nine shortlists. One of these was for *Silent Anthem*, a film that promotes Big Cinemas and features hearing-impaired children enacting the national anthem in sign language.

OUTSOURCING TO INDIA IS NOT ATTRACTIVE?

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CEO Watch

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs (MAY 16-JUNE 15)

Mukesh Ambani

RAJAT BARAN

Mukesh Ambani of Reliance Industries Ltd., or RIL, was the industry leader most written about in the May 16 to June 15 period. RIL's 37th annual general meeting, or AGM, at which Ambani highlighted the company's expansion plans, was widely covered, including in sections of the international press. Ambani's run to the top was pegged on controversies, too – notably the leaked draft report of the Comptroller and Auditor General, which said "the ministry and Director General of Hydrocarbons allowed RIL to violate terms of the contract with the government for its showcase Andhra offshore gas fields".

N.R. Narayana Murthy of Infosys was the favourably reported CEO as his tenure drew to an end. The Infosys AGM was "virtually a farewell party to Murthy", as one newspaper put it.

TOP 10 INDIAN CEOs

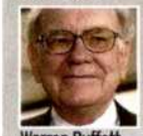
Ratan Tata

Anil Ambani

Rank	CEO/Company	No. of Stories	
1	Mukesh Ambani/Reliance Industries	67	▲
2	Ratan Tata/Tata Group	59	▲
3	Anil Ambani/ADAG	37	NEW
4	Sharad Kumar/Kalaignar TV	37	▲
5	Shahid Balwa/Swan Telecom	18	▼
6	N.R. Narayana Murthy/Infosys	16	▼
7	Sanjay Chandra/Unitech	14	▼
8	S. Gopalakrishnan/Infosys	10	▼
9	Vinod Goenka/DB Realty	8	NEW
10	R.C. Bhargava/Maruti	7	NEW

TOP 10 GLOBAL CEOs

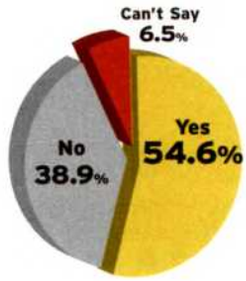
Steve Jobs



Warren Buffett

Rank	CEO/Company	No. of Stories	
1	Steve Jobs/Apple	50	▲
2	Warren Buffett/Berkshire Hathaway	42	▼
3	Sergio Marchionne/Fiat	40	▲
4	Bob Dudley/BP	38	NEW
5	Rupert Murdoch/News Corp	38	▲
6	Josef Ackermann/Deutsche Bank	33	NEW
7	Steve Ballmer/Microsoft	33	—
8	Mark Zuckerberg/Facebook	29	▲
9	Howard Stringer/Sony	27	▼
10	Lloyd Blankfein/Goldman Sachs	25	NEW

Q. Will food prices moderate with a good monsoon?



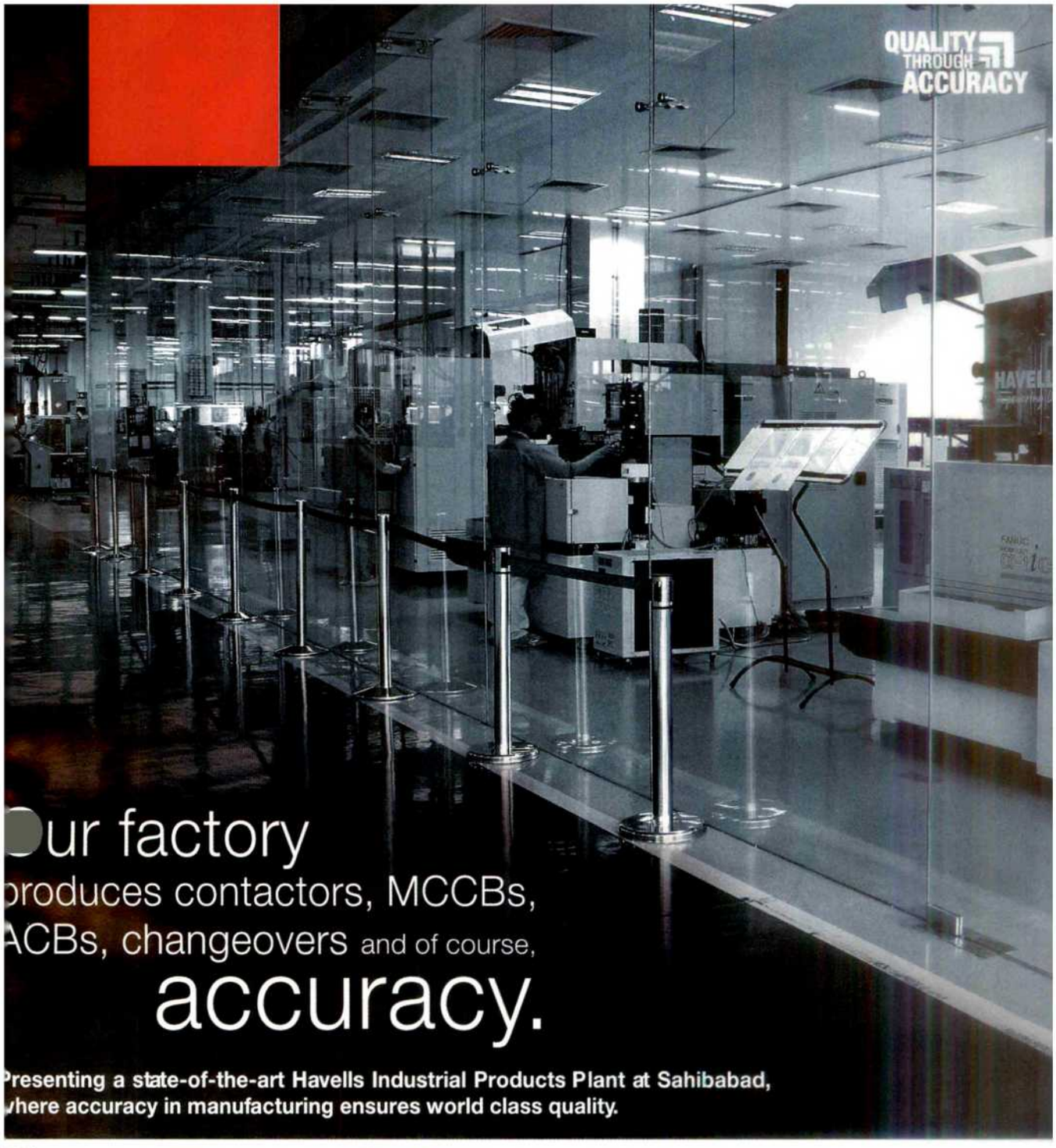
Results of *BT* online poll;
No. of respondents: 157

Food prices will fall if the rains are plentiful, feels a majority of our respondents. Food inflation for the week ending June 16 – the latest figure available before going to press – stood at over nine per cent, contributing substantially to the overall inflation rate. C. Rangarajan, who heads the prime minister's Economic Advisory Council, has also said he expects overall inflation to drop to 6.75 per cent – it was 9.06 per cent in May – if the monsoon is good. But will it be? The latest meteorological department prediction has said the rains may be "just below normal" this year.

Next poll question:

Should bribe-givers be excused and only bribe-takers punished?

Log on to www.businesstoday.in



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"Everything has happened for free in the municipalities. This has to change, and it requires a huge mindset change."

Kamal Nath, *Urban Development Minister, on why people living in overcrowded cities should get used to paying more for better public services, quoted by a wire agency*

"The government doesn't have the licence to loot just because they have won the elections."

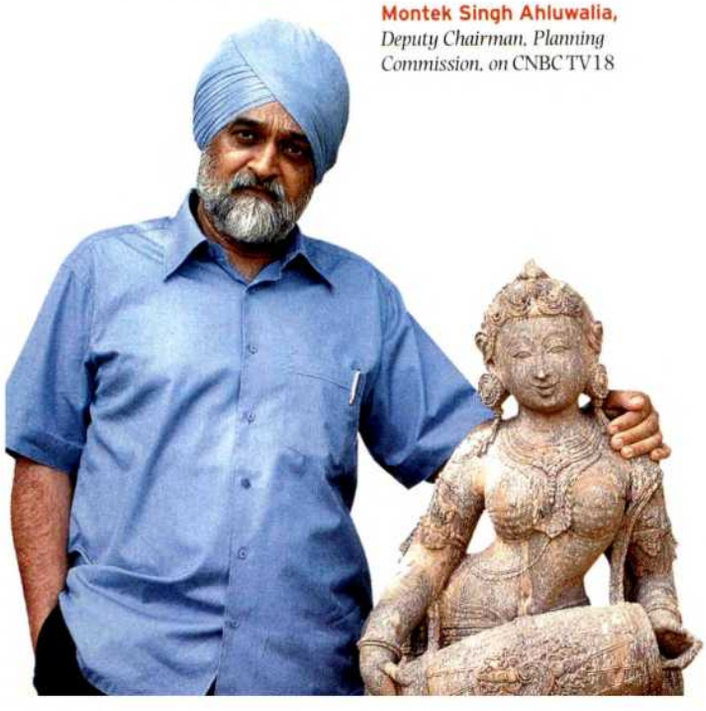
Arvind Kejriwal, *civil society activist and member of the drafting committee of the Lok Pal Bill, in* Business Standard

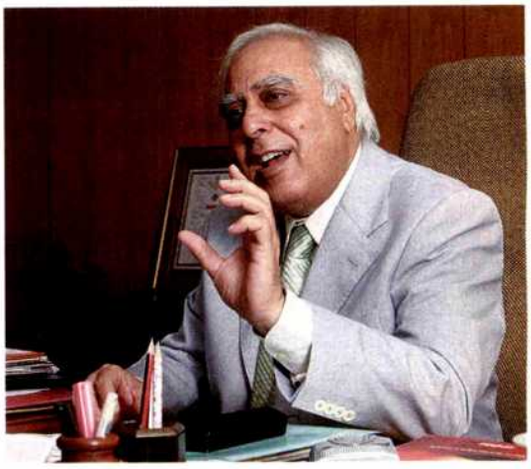
"There have been many testing periods. But I always enjoy such situations because our responsibility is to ensure that the public confidence in the system is not shaken."

Shyamala Gopinath, *former Deputy Governor, RBI, in* The Financial Express

"Nobody in the world has a hold and grip on inflation. One of the dominant negative things about the world economy is the rise of inflation, especially in emerging markets."

Montek Singh Ahluwalia, *Deputy Chairman, Planning Commission, on* CNBC TV18





"... Ultimately the engines of global economy are going to be powered by human capital from India."

Kapil Sibal, *Union HRD Minister, in* The Times of India

CLASSIC BUSINESS QUOTE

"Failure is simply the opportunity to begin again, this time more intelligently."

Henry Ford

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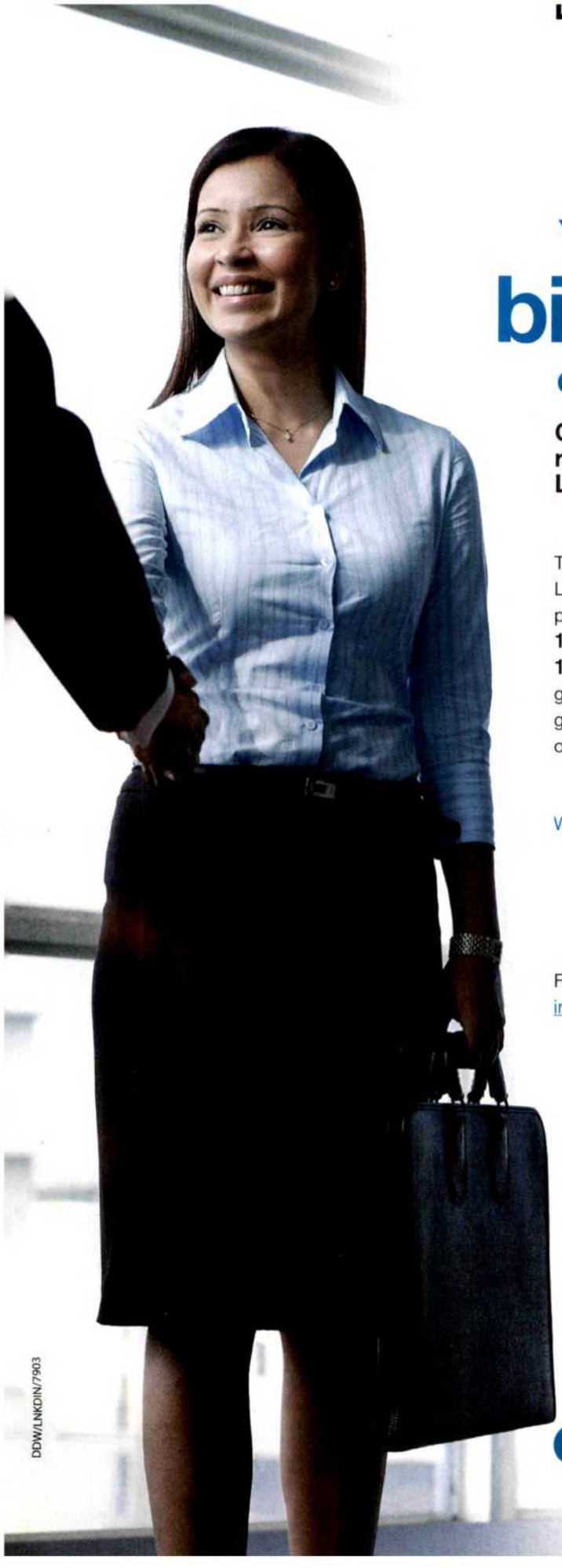

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- Ranga Subramanian
Head – Resourcing and Talent Acquisition, ING Vysya Bank

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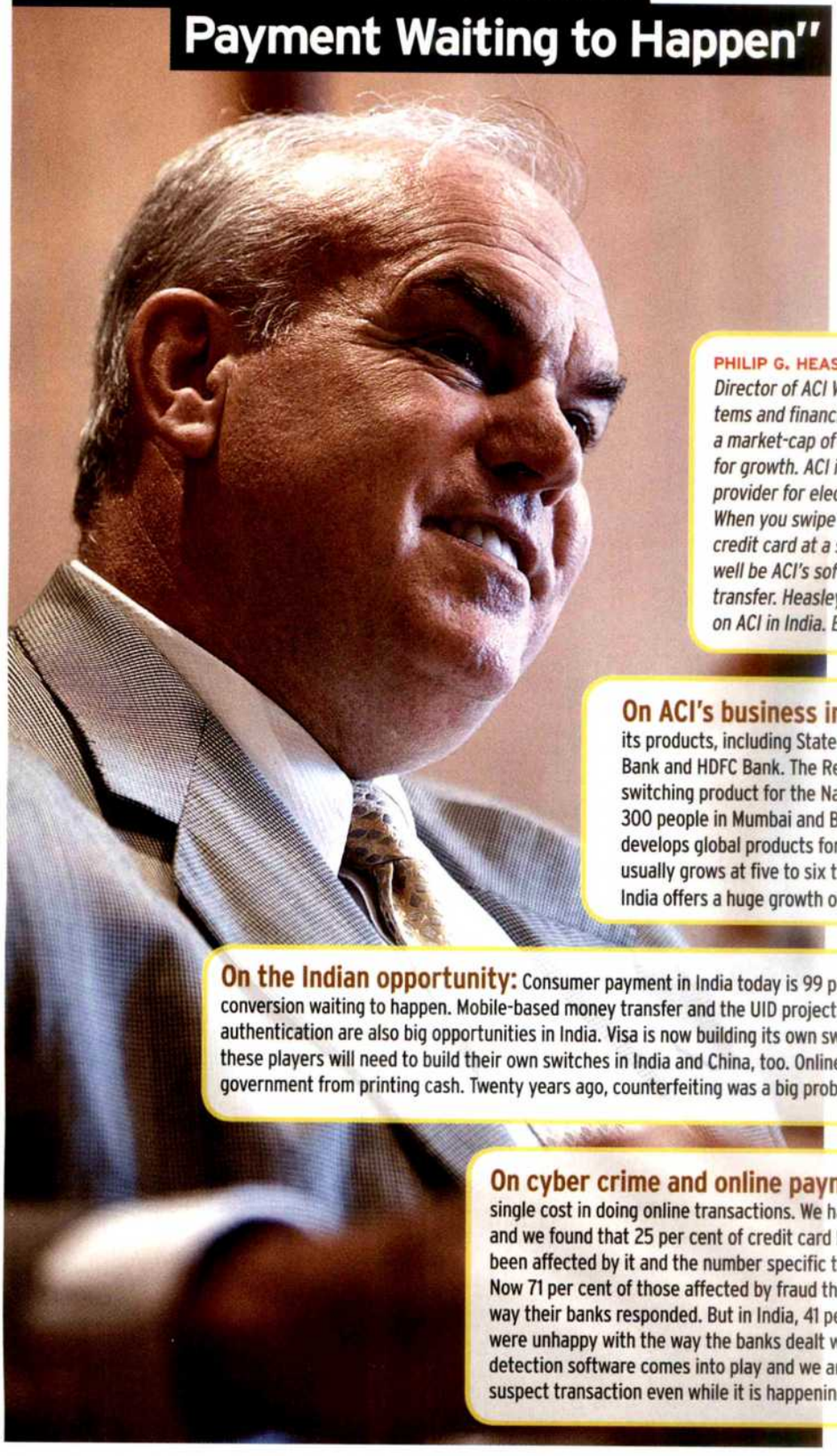
TALENT ACQUISITION | EMPLOYER BRANDING

Source: LinkedIn India Internal Survey. Fortune 100 data as on 22nd March 2011.

"Huge Conversion to Online Payment Waiting to Happen"



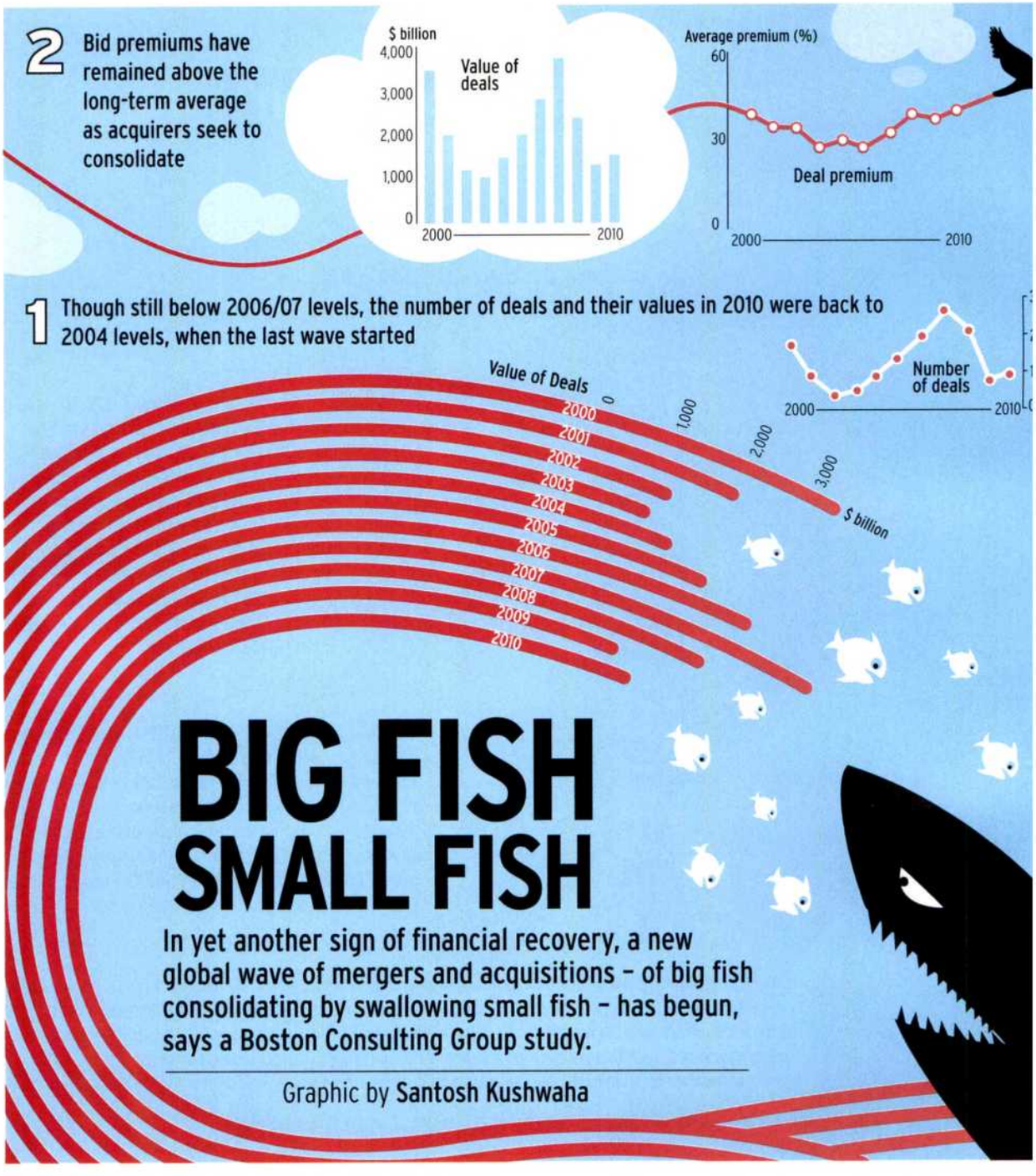
RACHIT GOSWAMI\www.indiatodayimages.com

PHILIP G. HEASLEY, *President, CEO and Director of ACI Worldwide, a payment systems and financial services company with a market-cap of $1 billion, is eyeing India for growth. ACI is the back-end software provider for electronic money transfers. When you swipe your Visa or Mastercard credit card at a store, for instance, it could well be ACI's software that manages the transfer. Heasley spoke to* SUMAN LAYAK *on ACI in India. Edited excerpts:*

On ACI's business in India: ACI has 15 banks running its products, including State Bank of India, United Bank, ICICI Bank and HDFC Bank. The Reserve Bank of India also uses our switching product for the National Financial Switch. We employ 300 people in Mumbai and Bangalore. Our Bangalore office develops global products for ACI. The money transfer business usually grows at five to six times the GDP growth numbers and India offers a huge growth opportunity.

On the Indian opportunity: Consumer payment in India today is 99 per cent in cash. There is a huge conversion waiting to happen. Mobile-based money transfer and the UID project that will create a need for payment authentication are also big opportunities in India. Visa is now building its own switch in Europe and soon some of these players will need to build their own switches in India and China, too. Online payments also save the government from printing cash. Twenty years ago, counterfeiting was a big problem in the US. Now it is cyber crime.

On cyber crime and online payment fraud: Fraud is the largest single cost in doing online transactions. We had commissioned a study on fraud and we found that 25 per cent of credit card holders across the world have been affected by it and the number specific to India is 24 per cent. Now 71 per cent of those affected by fraud the world over were happy with the way their banks responded. But in India, 41 per cent of those affected said they were unhappy with the way the banks dealt with it. This is where our fraud detection software comes into play and we are able to track a fraudulent or suspect transaction even while it is happening.



5 STEPS TO HERE

PREMJI'S WIPRO STAKE

1

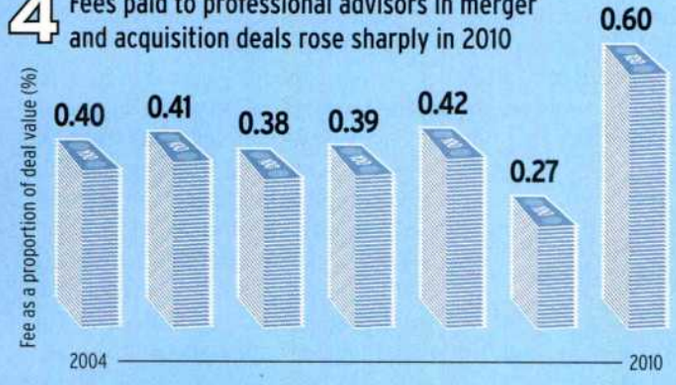
1982-2010
Chairman **Azim Premji** and his family own 79.52% of Wipro Ltd.

2

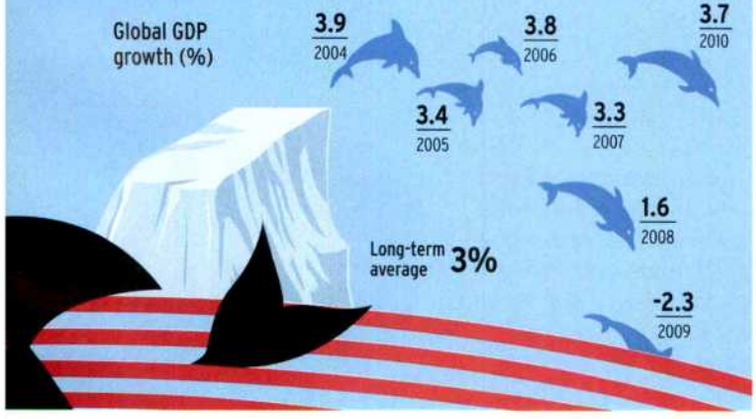
April 2010
Rumours abound that Premji will reduce his stake to less than 75% to meet SEBI rule of 25% public holding for all listed companies.

3 Private equity firms are ramping up their deal activities with the stress on debt financing

4 Fees paid to professional advisors in merger and acquisition deals rose sharply in 2010



5 After a negative showing in 2009, global GDP growth in 2010 rose again, returning close to the 2006 level



BT Retro
January 27, 2008

Bumpy Flight

THEN: Delays, poor service and inexperienced staff sometimes make flying on JetLite, the low-cost arm of Jet Airways, a harrowing experience. Gary Kingshott, JetLite's Australian Chief Executive Officer, dismisses such stories as "isolated cases". But the integration of Air Sahara (as JetLite was called before its takeover) into the Jet Airways fold is not as smooth as the company would have liked. The airline came saddled with huge costs, largely due to high aircraft lease rentals and a fleet of expensive-to-operate Canadair jets. Kingshott admits that, in order to succeed, JetLite will need to cut costs.

"Currently, the Indian market is divided almost equally between full-service and low-cost carriers. I believe that in five years, the number will be 75-80 per cent in favour of low-cost carriers." Then, JetLite may start international flights, much like its full-service parent. And Jet Airways actually posted a profit of ₹59 crore for the first half of the year ended September 2007.

Investors seem to think that the two airlines can still make a match of it. After touching an all-time low of ₹533 in March 2007, the Jet Airways scrip has ridden the bull market to trade at around ₹1,000 now.

NOW: JetLite handled 470,000 passengers in May, which helped the group set a record for the maximum number of passengers – two million – flown by any Indian airline in a month.

3

July 2010
Premji says finance ministry is expected to change 25% public float norm.

4

December 2010,
Premji pledges 8.7% of his shares worth ₹852 million to the Azim Premji Foundation, his stake falls to 70.8%

5

June 18, 2011
Premji's son, **Rishad**, sells 2.6 lakh shares of Wipro for around ₹11 crore, reducing his stake from 0.04 to 0.03 per cent.

ANAMIKA BUTALIA

A beefy dual-core Android smartphone and a dainty touch smart device

First, But Not the Last Word

Being first is not always a good thing. While bringing the 'first' dual-core Android smartphone to the market, LG may have left behind some fairly basic software work. One can have few cribs about the hardware. The Optimus 2X is a well engineered device with a good camera, and the company throws in a mini-HDMI to HDMI lead cable with the device. The 1 Gigahertz NVIDIA Tegra processor seems quite beefy, but is let down badly by inadequate memory.

On the face of it, 512 megabytes of memory seems quite a bit. But the operating system and the music player application take up so much memory that when you run a few other applications on the device – in our case the Seesmic social media application, and Angry Birds – performance slows down. The device even hangs occasionally. LG was the first with a dual-core mobile device, but in the weeks since, Samsung has caught up with the Galaxy S2, and HTC with the Sensation. However, the LG Optimus 2X has a market price much lower than that of competing devices, and as such remains a good buy.

KUSHAN MITRA

LG Optimus 2X (P990)

- ⊕ Solid build quality, HDMI output cable included, good camera
- ⊖ Insufficient RAM, competing devices are far superior

Price: ₹30,000

Dim Twinkle

The Micromax Bling 2 A55 is a phone for the ladies, and it never lets you forget that. This entry-level touch smartphone features a heavy ring of Swarovski crystals embedded in both the front and back plates. The soft leather carrying case includes a vanity mirror and a pouch for lip gloss. The aggressively feminine design may elicit squeals of glee from teenage girls and smirks of disgust from their older brothers. This is not a phone for the faint of heart.

The large touch screen makes for easy scrolling, although the resolution is rather low. The speakers and call quality are acceptable, but the phone freezes more often than other models running Android 2.2.

Texting on this phone – as on any touch smartphone with a 3.2 inch screen – is agonising, and those who want a phone with email or text abilities should look elsewhere. Micromax thinks it knows what women want – and maybe the market will prove it right. If only it had invested in a few software frills to go with the fancy packaging. After all, there is more to life than appearances.

ANIKA GUPTA

Micromax Bling 2 A55

- ⊕ Well-priced with all the frills of high-end smartphones, it also 'twinkles'
- ⊖ Software tends to hang, screen is quite small

Price: ₹8,450

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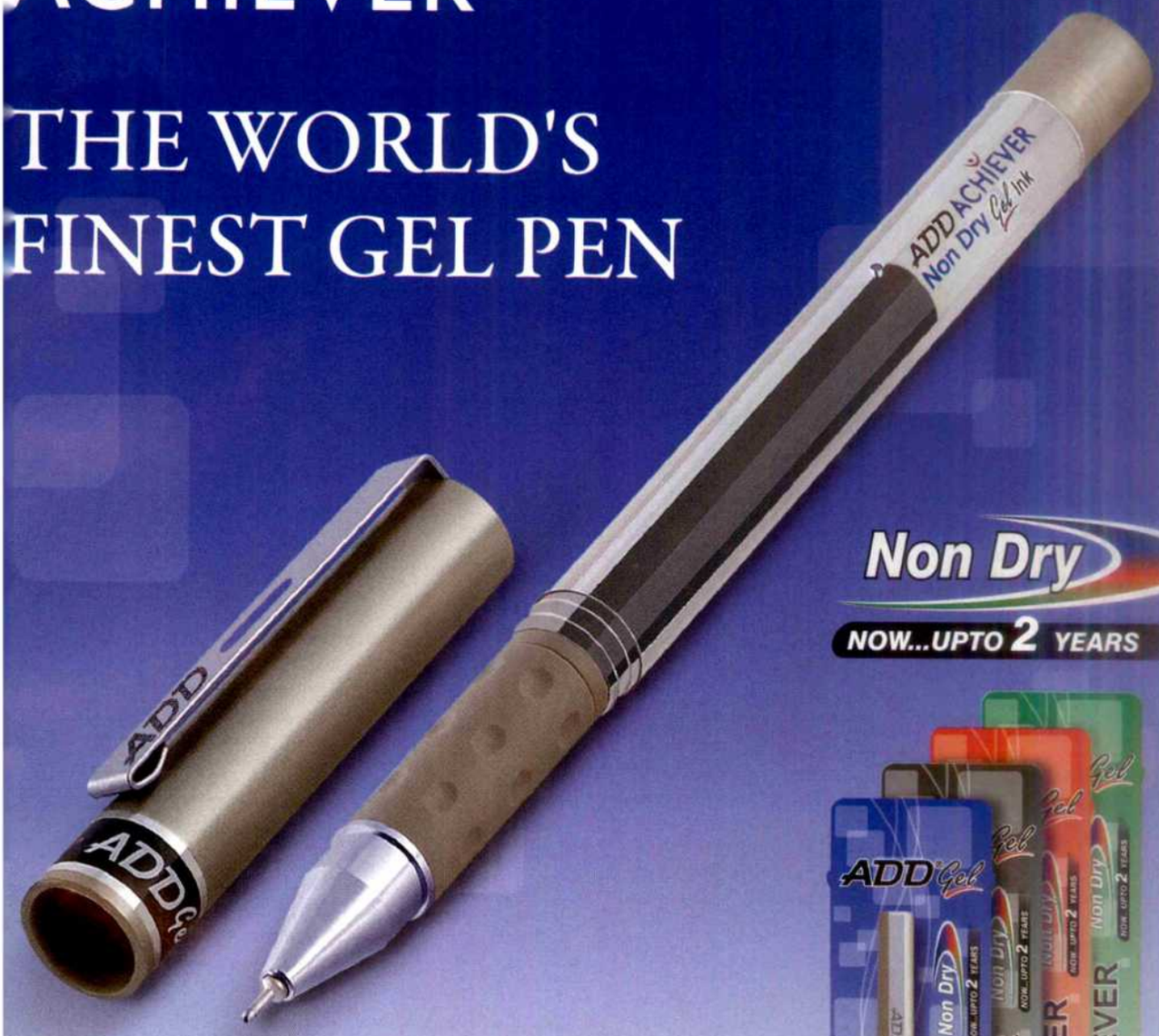

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HOW THINGS WORK

Tale of Wisdom

The first efforts to salvage the MV Wisdom failed. As the ship was being towed to the Alang shipbreaking yard in stormy weather, the cables that connected it with the tug snapped. The ship drifted from its course, and ran aground at Mumbai's Juhu beach. For three days, salvage workers tried to refloat it, with little success. They will try again shortly. The salvaging operation is a highly-specialised one.

WHAT NEEDS TO BE DONE: The 9,000-tonne vessel, which has partially settled on the shallow seabed, must be made to float again. This is best accomplished when the tide is in. After it is fully afloat, another tug will tow it back to Alang.

WHAT MUST BE KEPT IN MIND: Now that the monsoon has arrived, it is necessary to watch both weather conditions and the choppiness of the sea. The towing exercise must be timed right.

KEY REQUIREMENTS: Strong ropes and cables are crucial. A global salvaging company called SMIT has been engaged. The Navy and other government agencies are also helping the effort.

JUST WONDERING

Take-off Delayed

Spanking new state-of-the-art airport terminals have already opened in Mumbai, Delhi, Hyderabad and Bangalore. But Chennai is a different story. In June 2008, the Centre allocated ₹1,808 crore to build a second terminal at its Meenambakkam airport, as well as extend the runway to enable the Airbus A380, largest aircraft in the world, to land and take-off. The second terminal will increase the airport's passenger capacity from six million a year to 14 million.

Three years on, the project is only three-fourths complete. Besides, costs have risen. The total expenditure is now estimated at ₹2,015 crore. Insiders at the Airport Authority of India, or AAI, say completion is at least another six months away – provided the AAI gets approval for the additional funds it needs.

COMPILED BY ANAMIKA BUTALIA

QUIRKY

Chances Cut Off

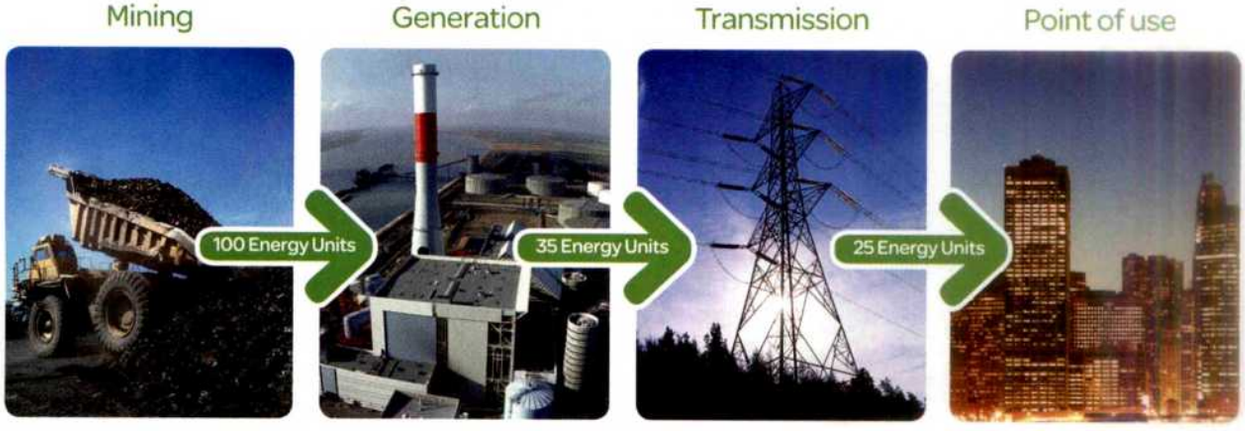
Even the prestigious IIMs and IITs give aspirants a better chance of admission than some undergraduate colleges. A student only needs to pass the high school examination to qualify for the IIT Joint Entrance Exam. The minimum qualification for the Common Admission Test for the IIM is a bachelor's degree with 50 per cent marks. And the cut-off this year for students who did not take commerce in school, to get into the B.Com course at Sri Ram College of Commerce in Delhi? One hundred per cent! Since no student scored that much – though many came tantalisingly close – it meant that students from non-commerce streams had no chance of getting into the college at all.

SNOOT CORNER

Pocket That

Exclusivity is best displayed in subtle ways. Investing in a classy wallet is one of the best ways to flaunt opulence. High-end wallets are small, smart, functional and an extremely chic buy. Single-coloured ones with a clean finish make a safe choice. Though leather wallets have always been popular, suede ones are good accessories for celebratory evenings. Choose a wallet whose logo is of the same colour as the background, rather than one whose logo is in loud contrast and screaming for attention.

The only good watt is a negawatt



Due to intrinsic inefficiencies, 25 units of energy consumed at the point of use in India require 100 units of primary energy**

What's a negawatt? The one you didn't use.

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*Source: World Energy Outlook 2009, IEA/OECD ** Eco III report titled "Demystifying Energy Use: From Home to a Power Plant in a Car"

SAPTARSHI BISWAS/www.indiatodayimages.com

Double Standards

Unrest brews at auto factories over contract workers being paid far less than permanent employees. By SUNNY SEN and ANAND J

Kamal Singh is a contract worker at Maruti Suzuki's plant in Manesar, Haryana. He has been working on the chassis assembly line for the last two years and is paid ₹7,200 per month. Next to him, on the same assembly line doing the same job, is Pravin Kumar*, a permanent Maruti employee. Kumar earns ₹18,000 per month.*

At the Omax Auto plant near Dharuhera, Haryana, Mohit Prasad, a contract worker for the last 19 years, earns ₹5,900 a month. But permanent employee Satya Tyagi*, who is on par with him, gets ₹12,000. Omax Auto manufactures two-wheeler parts for market leader Hero Honda.*

Differential pay cheques, growth in contract labour and political aspiration may raise the number of strikes

The primary issue that sparked the 13-day strike at Maruti Suzuki's Manesar plant in June was the workers' insistence on starting a union. Though the factory – which manufactures around 100,000 cars per month, including all the leading Maruti models – began operations in 2004/05, it has never had a separate union. There is a union at Maruti's three-decades-old Gurgaon plant, but Manesar workers, dismissing it as a management puppet, sought one of their own.

The standoff ended only after Maruti officials agreed to recognise the second union. The strike led to a 15 per cent drop in production in June and losses of more

Up in arms: Workers demonstrating during the recent strike at Maruti Suzuki's Manesar plant in Haryana

than ₹500 crore.

But a secondary reason for the shutdown was also the discriminatory treatment of workers employed through contract agencies, though this was never openly mentioned in the list of demands. Ironically, these workers, though they fully backed the strike, will never be able to officially join the proposed union. Their employers are their agencies, not Maruti. Company executives have been maintaining that the workers would be gradually absorbed into Maruti as permanent staff at its two new factories being set up in Manesar.

The contract workers, however, remain sceptical. "Though we support setting up the union, the benefits of the agreement will be reaped by the permanent workers alone," says one of them, Rohit Verma. "Whether the second union is formed or not, our situation will remain the same."

Estimates of the number of contract workers at the Manesar plant vary. The management claimed that of the 3,000 employed there, around 40 per cent were through contractors, but *Business Today*'s own enquiries indicated that around 70 per cent comprised contracted and temporary workers. Apart from higher salaries, permanent workers get a host of company benefits such as medical and paid leave, which contract workers do not. The latter are employees of their contracting agencies and accordingly get only those benefits the agency thinks fit to provide. All these agencies shave a standard eight per cent off

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It was from the late 1990s that auto companies began using contract labour for regular but non-core activities

the wages paid to contract workers as commission. Worse, the workers are paid not a monthly wage, but on a daily basis. Enquiries revealed that employment varies between 15 and 25 days depending on availability of work. According to sources in the contract agencies, unskilled contract workers get an average consolidated salary of around ₹3,600 per month, which is even lower than the monthly minimum wage of ₹4,502, determined by the Haryana labour department.

And Maruti is not the only one. Almost all other factories manufacturing vehicles or ancillaries in the industrial clusters around the National Capital Region follow the same practice. A number of them have seen strikes in recent years – Hero Honda, Rico Auto, Omax Auto, Sunbeam Auto and Exide Batteries – in many of which the issue of contract labour has figured prominently.

Company Viewpoint

"We cannot afford to keep all the employees throughout the year," says Arvind Kapur, Managing Director of the Dharuhera-based Rico Auto Industries. "There are ups and downs in the business." Rico Auto, which also has a total workforce of around 3,000, including contract workers, makes gears and oil pumps for Maruti, and gear shift drums for two-wheeler companies. It saw a 45-day strike in October 2010, with the union insisting on limited use of contract workers and equal pay for them. "The market is very competitive," adds Kapur. "Using contract labour helps us to manage costs."

Karl Slym, President and Managing Director, General Motors India, agrees: "Contract workers give us some flexibility." He, however, warns that strikes like these could affect investor sentiment. "It gives India's manufacturing capability a bad name internationally," he says.

Workers allege that managements try hard to keep the number of permanent employees constant, substituting them with contract workers, as it enables them to economise. When Honda Motorcycle and Scooters India, or HMSI, started its factory in Manesar in 2001, it had around 20 per cent of its workers on contract; currently the proportion has been reversed and only 20 per cent are permanent. Most auto and auto component factories, at present, have over 50 per cent of their workforce on contract.

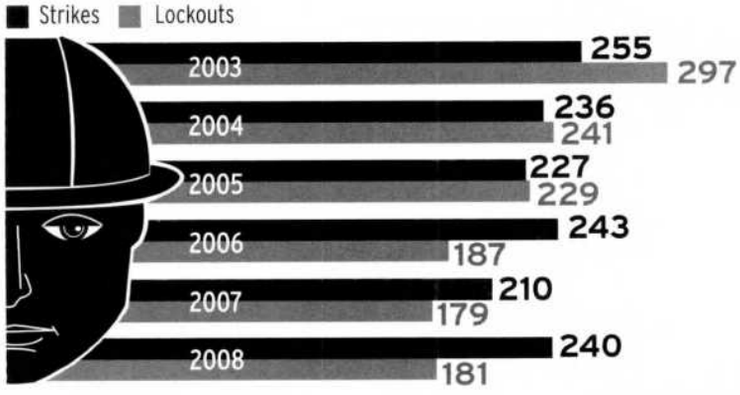
In 2008, when contract workers at Hero Honda's Dharuhera plant protested and sought to form a union, the company gave an assurance that they would be made permanent – in order of seniority – as vacancies arose. But that never happened. Union sources claim the company made several fresh recruitments in the past three years, but the contract workers – some of whom have been with the company since 1994 – have not been absorbed yet.

For complex accounting reasons, the expenditure on contract workers is also never shown entirely under employee cost, but is broken up and worked into the company accounts books under different heads. "Multinational corporations in India practice the low-cost model of business. Contract workers are helpless," says Debi S. Saini, professor of Human Resource Management at the Management Development Institute, Gurgaon.

It was from the late 1990s that auto companies began using contract labour for regular but non-core activities such

Threat Remains

The number of strikes had been coming down over the years, but 2008 saw a sudden spike

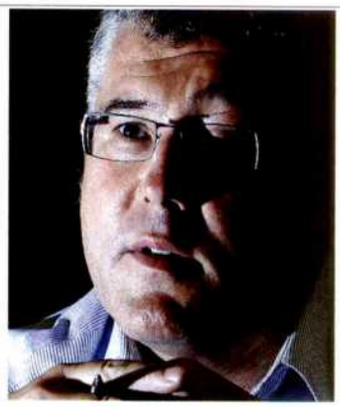


Source: Labour Bureau

SUBIR HALDAR

"We cannot afford to keep all the workers throughout the year. Using contract labour helps us to manage costs in the competitive market"

Arvind Kapur, Managing Director, Rico Auto Industries



SHEKHAR GHOSH

"Such disruptions could affect investor sentiment and give India's manufacturing capability a bad name internationally"

Karl Slym, President & MD, General Motors India

as running the canteens, maintenance of gardens on company premises or housekeeping. In the past 10 years, they have been gradually inducted into assembly lines as well. And if contract workers have been slow to protest against their discriminatory treatment, it is because of their vulnerable position. "Contractors bluntly tell us we can leave if we want to and take up a job that pays better," says Maruti contract worker Verma. Maruti officials refused to comment on the issue.

Growing Resentment

Barred by law from joining the permanent employees' unions, contract workers seek to draw strength by supporting the periodic demands made by these unions, even though none of the benefits, if granted, would accrue to them. As a quid pro quo, the unions – as seen in the Maruti and Rico Auto strikes – have begun taking up their cause too. A. Soundararajan, Honorary President of the Hyundai Motor India Employees Union, recalls how the permanent workers went on a strike at the company's Chennai plant in April 2009 after 67 contract workers were sacked, forcing reinstatement of 35. "The irony of our legal system is that contract workers, who need the union most, cannot join it," he says.

If unions begin uniting across companies, they could cripple the entire auto sector

Strikes in Indian companies have come down considerably from their heyday in the 1960s to 1980s. Labour ministry sources say since 2003, there have been barely 200 to 250 strikes every year across the country. But with the growing resentment against the treatment of contract workers, fresh agitations seem to be afoot. "There is a resurgence of union activity among young workers," says Ashim K. Roy, General Secretary of New Trade Union Initiative, which has no political affiliation.

If unions begin uniting across companies, they could cripple the entire sector. During the Maruti strike, for instance, HMSI union leader Suresh Gaur had spoken up in its support, even threatening a sympathy strike at the two-wheeler major's plant. "Wherever there are large industrial belts or special economic zones, there will be a strong temptation for unions to join hands," says S. Venkatesh of human resources firm Svanishta.

Unless this growing problem is speedily addressed, the ghost of widespread labour unrest, which seemed to have been laid to rest, may rise all over again. ◆

*(*Names of all permanent and contract workers have been changed.)*

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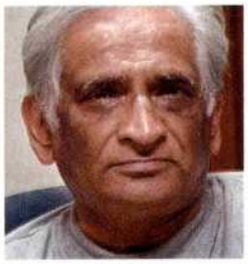

Drop the Debate, Enact the Lokpal Law

What started as a movement against corruption has become an expensive farce. Since 1966, Indian politics has played ping-pong with proposals for a Lokpal. Till 1977, the Lokpal proposal targeted both bureaucrats and ministers. From 1977 to 2010, ministers were targeted, and bureaucrats were laughing. In 2010, the United Progressive Alliance, or UPA, revived the Lokpal proposal to save itself from scam allegations. Riding the 'Anna' wave, the 'Jan' group declared that no politician would allow a decent Lokpal Bill to be drafted unless Jan leaders took over the process. Thus, a cabal positioned itself as a substitute for democracy.

But having forced the government's hand, the Jan team has now sent the 2010 Bill into limbo again. Broadly, the achievements of the Jan-UPA meet are: (i) bureaucrats have been included (ii) the focus is squarely on corruption (iii) the Lokpal will be a collegium appointed by a collegium (iv) it will have investigative capacity and powers, and (v) the Lokpal can send matters to special courts for prosecution.

The controversial areas are: (i) method of selection and removal of Lokpals, (ii) inclusion of the prime minister (the Bharatiya Janata Party, or BJP, had included the prime minister in its 2001 Bill but kept matters of intelligence and national security out of the purview of the Lokpal), (iii) inclusion of MPs and judges, and (iv) certain powers of the Lokpal, including the powers to issue letters rogatory, contempt notices and punishment. *Most of these issues can be resolved by the parliamentary process.* It would be wrong for the Jan team to insist that their views prevail over the parliamentary process.

It is sheer obstinacy to think that the government is necessarily wrong on all fronts. It is wrong on the issue of exempting the PM even if the Venkatachaliah Constitution Commission supports its stance. But the government is right on its views on MPs, judges and bureaucrats. MPs are protected for their activities by parliamentary privilege as clarified by the Supreme Court in the Jharkhand bribery case. It is unreasonable to say that this restraint does not exist. Equally, judges are constitutionally protected. Some members of the Jan team are judge baiters, who have converted their preoccupations into a professional pastime. But judges will not go scot-free. A new Judicial Accountability Bill will take care of them.

Bureaucrats fall under the Lokpal but disciplinary action against them must vest with the government, which alone has the power under the Constitution to discipline civil servants. This power cannot be abdicated to the Lokpal. There is no point pretending that the constitutional restraints of parliamentary privilege, judicial independence and civil service protection do not exist. Nor can they be brushed away by constitutional illiteracy in the name of 'Jan' power.

Union minister Salman Khurshid reports that at the first meeting Jan representative Shanti Bhushan thought this was an exercise of rewriting the Constitution. The Lokpal discussions are not a Constituent Assembly in continuous session. Amendments to the Constitution can be made. But these are structural issues for Parliament on which the Jan team cannot be the sole determinant.

Democracy seems to be the swansong of both the government and the Jan team. The government's view is that the Constitution has set up "government by

The government is wrong on the issue of exempting the Prime Minister even if it was supported by the Venkatachaliah Constitution Commission

institution" and democratic forces must discipline themselves to use these designated processes and institutions. The Jan approach is that the democratic voice of the people cannot be procedurally silenced. *Both are right*. But there has to be a meeting ground. Any eventual change or enactment on these weighty issues has to go to Parliament. It is not for the Jan team to say that unless the government toes the Jan team's line, democracy has failed.

Even if the Jan team is a voice of democracy, it is not its sole spokesman. Populist and popular support against corruption cannot make the Jan team a delegate of the people with the authority to override the government. What the Jan initiative has ensured is that the Lokpal initiative, which collapsed in 1968, 1971, 1977, 1985, 1989, 1996, 1998, 2001 and 2005, should not collapse in 2010-11. In 1968 and 1971, the Bills were passed by the Lok Sabha but lapsed by its dissolution. Now, the Lokpal Bill has taken centrestage.

But, pre-enactment discussions on the basis of green and white papers are eminently proper in parliamentary democracy. In our case, the government Bill became a green paper. The flaw this time was that instead of public responses, the self-styled Anna 'Jan' group became exclusive representatives of the people. This was presumptuous, arrogant and usurpatory. Fasts at Jantar Mantar followed by elite selection

SANTOSH

of spokesmen does not create democratic credibility. Parallels with Gandhiji are misplaced.

Now, there should not be a war of attrition between the government and the Jan team. This consultative exercise is over. The government should now state its view in a document as well as a Bill for Parliament. But the responsibility for all this does not lie with the government. The attitude of the Opposition has to be constructive and not destructive. The BJP is simply watching the mess and hoping that it gets embarrassingly worse. The Left is beginning to reveal its views. But unless political parties are clear, a future Bill will meander into oblivion as it has in the past.

Corruption in India has gone over the top, going beyond the people's experience of petty day-to-day corruption. The nexus between business and politics manufactures corruption in billions. To unearth these scams requires skill, expertise and investigation by a powerful independent body.

In my view the earlier Lokpal debates are confusing and should be abandoned. **What we really want is an Anti-Corruption Commission with investigative and prosecutorial powers.** Right now, we do not want a classic Lokpal, but only an Anti-Corruption Commission. Change the name. Narrow the focus. Ensure democratic response. Introduce the Bill in the Rajya Sabha to ensure it does not lapse. Get on with it. ◆

The author is a Supreme Court lawyer

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Disruptive Influence

Iran continues to supply oil to India, though India has not paid it for months. What if Iran turns off the tap? By SANJIV SHANKARAN

An opaque slick of secrecy surrounds the controversy over India's payment for the crude it imports from Iran. The Reserve Bank of India stopped facilitating payments from December last year, following the US sanctions against Iran imposed a few months earlier. Indian officials are markedly reluctant to discuss the matter, while the Iranian embassy turned down repeated requests for comments.

The two countries have held several rounds of talks to solve the problem, but made no headway. At the end of the last fruitless two-day negotiation in May, the Indian government put out a bland media statement saying: "Both sides agreed to continue their engagement in the matter." But an Indian diplomat familiar with the talks hinted India was looking at the viability of diffusing payment to Iran through a variety of currencies and institutions to sidestep the constraints.

There are strong indications that Iran continues to supply oil as before, though there is no official confirmation. Kaushik Das, economist at Deutsche Bank AG, estimates the current supply at around 426,000 barrels a day, comprising 13 per cent of India's oil requirement. So India's bill is mounting. The buyers are primarily two state-owned companies, Mangalore Refineries and Petrochemicals Ltd, or MRPL, and Hindustan Petroleum Corporation Ltd, or HPCL. No official word on how much India owes Iran is available, but knowledgeable estimates put India's outstanding for the past three months alone at over $4 billion or around ₹18,000 crore. A Deutsche Bank report suggests that the growth in India's oil imports in recent months has been modest precisely because Indian officials are aware of this mounting debt which will have to be repaid at some point – and perhaps at short notice.

Barrels of oil imported by India per day from Iran
426,000

There is little in India-Iran trade besides oil. Oil imports made up $10.19 billion, or 88 per cent of India's total imports of $11.54 billion in the financial year 2009/10, according to the Commerce Ministry. But if India needs Iran's oil, Iran, too, needs India. India is one of its biggest buyers, with about 10 per cent of Iran's daily oil production being earmarked for it. Hydrocarbons in turn contribute 25 per cent to Iran's gross domestic product.

Strangely neither the stakeholders nor analysts appear unduly concerned about oil supply from Iran being disrupted. MRPL, the biggest importer, which brings in around 7 million tonnes annually, recently paid an advance tax of ₹97 crore for the April 1 to June 15 period, which was 45 per cent higher than what it paid for the same period last year. The advance tax paid is a pointer to company expectations for the current financial year, and MRPL seems to have no worries of a sudden crisis throwing its financials out of gear. It also continues to get the highest – or triple A – rating from credit rating agency ICRA.

Analysts are just as insouciant. While acknowledging the mounting bill, they note that even if the supply of Iranian crude to India is disrupted, there are alternative sources. "Saudi Arabia could export to India," says Ali Al-Saffar, Economist-Middle East at the Economist Intelligence Unit, London. "It will have to double its current exports to India, adding an additional 400,000 barrels a day to make for the lost imports from Iran."

K. Ravichandran, Senior Vice President and co-head, Corporate Ratings, ICRA, echoes Al-Saffar. "In a worst case scenario, Saudi Arabia or Kuwait could step in," he says. "Crude markets are very liquid at the moment."

But the matter is not so simple. Iranian crude has high sulphur content, and is categorised as sour crude. The refineries processing it are relatively inflexible and geared to handling sour crude alone. They are not equipped to switch from one kind of crude to another.

Al-Saffar, however, says Saudi crude is not very different in quality from that of Iran.

Some experts, unwilling to be named, also note that the complete silence of both the Indian and Iranian governments suggests there may be a lot to the oil trade between the two countries that is not in the public domain.

Fuel to the Fire

In 2010/11, government subsidised 1/3rd of oil firms' losses. What will happen in 2011/12? Some scenarios

Fiscal Deficit (as % of GDP)	Oil at $105/bbl	Oil at $115/bbl	Oil at $130/bbl
NO CHANGE IN ADMINISTERED PRICE			
a. Government subsidises 1/3rd of losses	4.9	5	5.2
b. Government subsidises 1/2 of losses	5.2	5.4	5.7
10% INCREASE IN ADMINISTERED PRICES			
a. Government subsidises 1/3rd of losses		4.9	5.1
b. Government subsidises 1/2 of losses		5.2	5.5

The government's budget estimate of fiscal deficit is 4.6% of GDP
Source: Goldman Sachs research report in April

The root of the problem goes back to June last year when, with Iran refusing to halt its uranium enrichment programme, the United Nations called for stricter sanctions against it. Within a month, the US passed the Comprehensive Iran Sanctions, Accountability and Divestment Act, or CISADA, which sought to put the squeeze on Iran's earnings from petroleum. (See *Coming Down Hard*). CISADA prohibited any kind of significant US investment in developing Iran's hydrocarbons sector;

more importantly, it barred US banks from facilitating Iran related dealings.

Skirting the Sanctions

With the dollar the medium of trade between most countries, barring special arrangements, India-Iran dealings should have been immediately hit. If it was not, it was because the two countries did have a special arrangement. This was a body called the Asian Clearing Union, or ACU, set up in 1974 at the behest of the UN to promote regional cooperation, comprising the seven South Asian countries, Maldives and Iran. Using the ACU enabled India and Iran to bypass American banks since it allows individual trade transactions between any two countries to be offset against each other, with only the difference being settled in dollars or euros by their respective central banks.

It was too good to last. American sanctions were being made a mockery of. In December last year – significantly within a month of US President Barack Obama's five day visit to India – the RBI announced it would not facilitate payments any longer through the ACU. This was being done since it could in no way monitor the end use of funds routed through the ACU, and ensure they were not used for Iran's nuclear programme.

This left MRPL and HPCL – and the Petroleum Ministry by extension – in the lurch, ready to pay, but unable to transfer the money. A breakthrough seemed possible in February this year, when Germany allowed the money transfer to the European-Iranian Trade Bank in Berlin. But in April, under pressure from other Western countries Germany backtracked. One payment made was even returned.

No matter how it is resolved, the current payment problem could not have been more ill timed. Assured oil supplies are essential for India at a time when, not only do crude prices remain high due to the continuing turmoil in West Asia, but global oil consumption is growing, threatening oil scarcity and still higher prices.

The global consumption of oil in 2010 grew 3.1 per cent to 87.4 million barrels a day, while production grew by just 2.2 per cent, says the *BP Statistical Review* in its latest report. "Globally, energy consumption grew more rapidly than the economy, meaning energy intensity of economic activity increased for the second consecutive year," the review adds.

In a separate development, in late June, the US Federal Reserve lowered its economic growth forecast for 2011 from the 3.1 per cent to 3.3 per cent estimate made in April. It is now between 2.7 per cent to 2.9 per cent. This has triggered speculation that the Fed could expand its balance sheet and unleash liquidity to spur growth. An unintended consequence of a loose monetary policy of the US could be a spike in oil prices.

The scenario gets bleaker given that the pace of economic activity is slowing down in India, partly on account of the 10 rounds of interest rate increases since March 2010 by the RBI to rein in inflation.

The government's aim to complement RBI's anti-inflationary steps by restricting its fiscal deficit – the borrowing that covers the gap between spending and income – to 4.6 per cent of gross domestic product threatens to come undone if crude prices keep rising or oil supplies from Iran dry up and India has to go searching in oil markets elsewhere. Currently, public sector oil refiners are losing ₹289 crore a day by underpricing products like diesel, cooking gas and kerosene.

According to a survey of the Indian economy by the Organisation for Economic Co-operation and Development, the energy subsidy in India is about $36 per person, and the bulk of it goes towards lowering the domestic price of oil-based products. India's per capita oil subsidy is almost three times higher than China's, which makes the economy and society highly sensitive to the slightest disruption in the flow of oil imports. ◆

Ahmadinejad (left) and Obama

Coming Down Hard

In July 2010, after the United Nations called for more sanctions against Iran for pursuing its uranium enrichment programme, the United States passed the Comprehensive Iran Sanctions, Accountability and Divestment Act. It called upon all other countries to impose similar sanctions. Iran called the sanctions 'illegal and invalid'. The Act prohibited

- **Making any investment of $20million or more that helps Iran develop its petroleum resources**
- **Providing goods or services – such as insurance, finance or broker age, shipping – that help Iran import refined petroleum products**
- **Providing export assistance for any of the above services from the US Export-Import Bank**
- **All financial transactions relating to Iran would be subject to US jurisdiction**

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Taxing Times

Falling revenues may hobble government finances and delay inflation pullback. By SANJIV SHANKARAN

In February, presenting his sixth Union Budget, Finance Minister Pranab Mukherjee, had pegged direct taxes at ₹5.32 lakh crore for financial year 2011/12. Mukherjee's estimate was a result of a better-than-projected growth in the gross domestic product, or GDP, during 2010/11, which led him to bet on nine per cent economic growth for 2011/12. There was also an unspoken assumption that international crude prices, which had spiked in the wake of the political turmoil in West Asia since January, would not rise beyond February levels. All these assumptions had led him to peg the fiscal deficit for 2011/12 at 4.6 per cent of GDP. Now, four months later, most of Mukherjee's projections seem to be going awry.

On June 24, the government increased the administered price of diesel, kerosene and cooking gas for the first time in almost a year in a bid to curb rising oil subsidies. The price increase is expected to bring down the daily losses of oil marketing companies on account of selling underpriced products from ₹456 crore to ₹289 crore. It also pared indirect taxes on petroleum products to the tune of ₹49,000 crore to ease the pressure on the bottom line of oil companies, which will curtail the losses of public sector oil marketing companies on account of underpricing, to around ₹1.2 lakh crore in 2011/12.

Economists promptly reacted to the move by marking up their forecasts of fiscal deficit, or the excess of spending over revenue that is bridged by borrowings, for 2011/12. Goldman Sachs and Deutsche Bank AG forecast a fiscal deficit of 5.5 per cent, while Standard Chartered Bank expected 5.4 per cent.

The increase in the diesel price is also expected to lead to an immediate spike in inflation. "Higher fuel product prices will add 75 basis points to headline inflation," says Samiran Chakraborty, Regional Head (Research), Standard Chartered Bank, in a research report. Headline inflation, or wholesale price index, was 9.06 per cent in May, and 8.66 per cent in April. Research reports of Goldman Sachs and Deutsche Bank expect headline inflation to peak in September, by which time the combined impact of interest rate increases and the government's moves to control expenditure are expected to weaken aggregate demand in the economy and ease pressure on prices.

But a pullback in inflation may get delayed and fiscal deficit may expand beyond 5.5 per cent of GDP due to the impact of a slower GDP growth this year on direct tax collections. In May, the Reserve Bank of India revised the growth estimates to eight per cent, which would be a dampener for direct taxes. Besides, unusually large tax refunds this fiscal have led to a contraction in net collections by 48 per cent to ₹12,954 crore in April and May.

There is more bad news on the way. Advance tax paid by the top 1,000 companies, which make up about 90 per cent of total corporate collections, grew 22.14 per cent over last year to ₹26,383 crore. But disappointing performances by sectors such as cement, steel and automobiles, which are lead indicators of economic performance, suggest the environment may get tougher in forthcoming quarters.

"Now, slowdown fear is real," says Jagannadham Thunuguntla, Strategist and Research Head, SMC Global Securities. "Companies are picking up only mandatory projects and avoiding discretionary projects." ◆

COLD COMFORT

Aggregate advance tax rises but key sectors present mixed picture

ADVANCE TAX	₹ CRORE	% CHANGE ON PREVIOUS YEAR
Top 1,000 cos	26,838	22.14
SAIL	350	-3
Tata Steel	260	-13
Maruti Suzuki	80	-16
Tata Motors	60	-8
ACC	40	-20
Ambuja Cements	50	-23
Bennett Coleman	60	0
Sun TV Network	46	9

Source: Finance Ministry

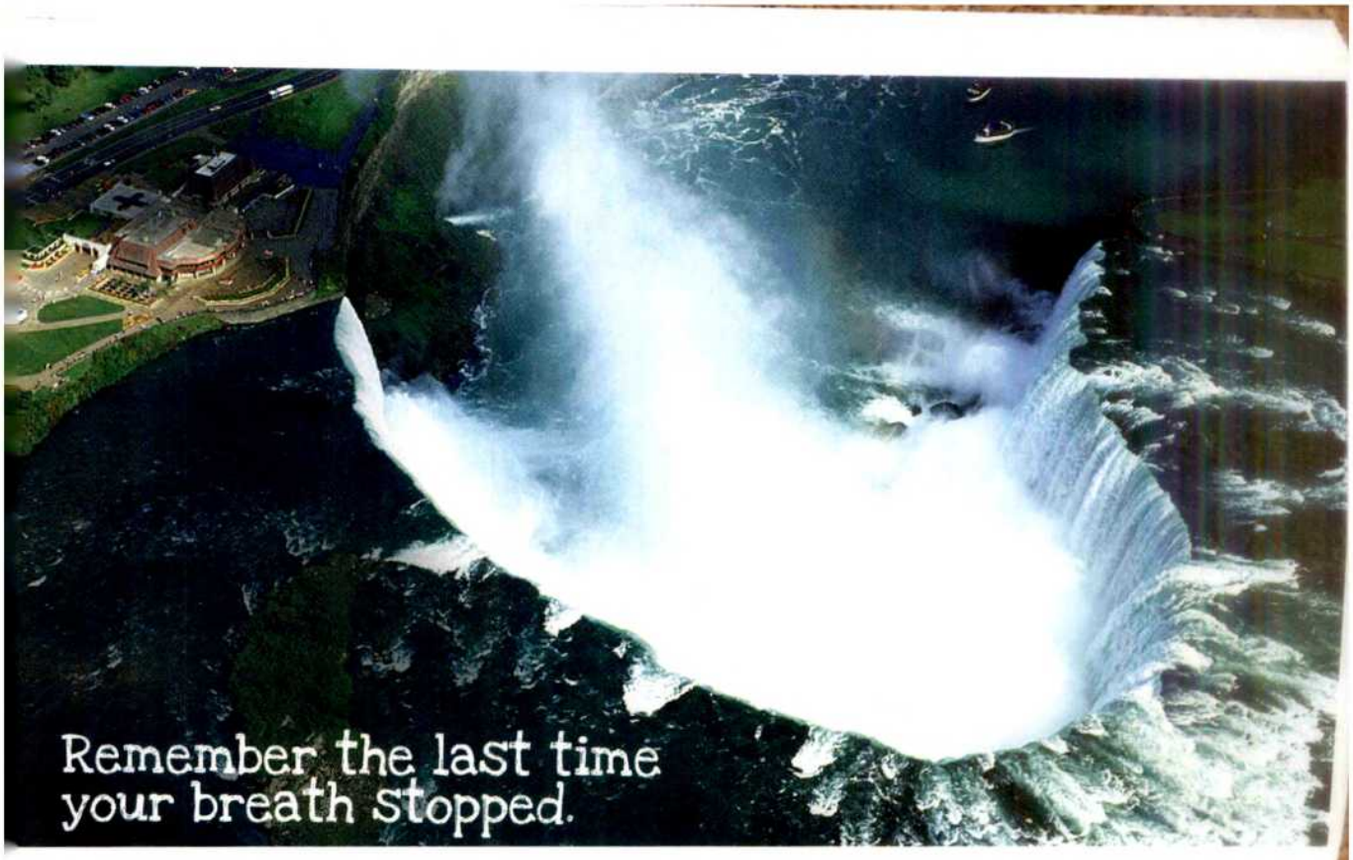
GOVT MODERATES INCREASE IN ADMINISTERED PRICES

PRODUCT	% INCREASE
Diesel	8
Kerosene	16
Cooking Gas	15

...BUT HAS TO FORGO REVENUE

INDIRECT TAX	REVENUE LOSS (₹ CR)
Customs	26,000
Central Excise	23,000
Total for full year	49,000

Note: Percentage increase in administered price based on prices in New Delhi Source: Oil Ministry



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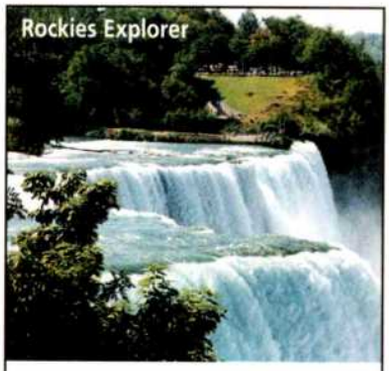

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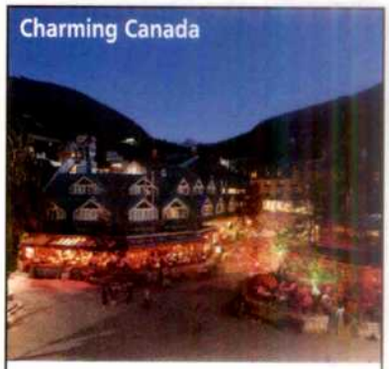

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The Chips Are Down

The second *BT*-C *fore* Business Confidence Survey shows companies have lost the optimism they displayed in the first. They are worried, both for their profits and the economy. By PUJA MEHRA

Harsh Goenka, the 54-year-old Chairman of the ₹18,000-crore RPG Group, has steered his tyres-to-retail business through many cycles of ups and downs. "Expensive finance is affecting business in two ways," he says, discussing the latest slowdown. "Demand has been impacted as the cost of money is high. So anything that needs consumer loans like consumer durables or automobiles is affected. Secondly, profit has come down as the interest cost has gone up." He warns that at a later date this could affect GDP growth too.

The second round of the quarterly *BT*-C *fore* Business Confidence Survey shows companies expect the slowdown to worsen. The Business Confidence Index, or BCI, fell to 64.4 in the April to June quarter from 74.8 in the previous one, from January to March. Respondents to the survey – 500 CEOs and Chief

Financial Officers across 12 cities – believe the business environment has worsened since April, primarily owing to the weakening of the macroeconomy. High interest rates and inflation have contracted demand. At the same time, input costs have gone up, squeezing profits.

Highly competitive industries are the worst hit. "Despite huge pressure from rising commodity prices and insane interest rates, we have not been able to push the rising cost on to consumers, which has further intensified pressure on the margins," says Mayank Pareek, Managing Executive Officer, Marketing and Sales, Maruti Suzuki India. For the car maker, inflation is a double-edged sword.

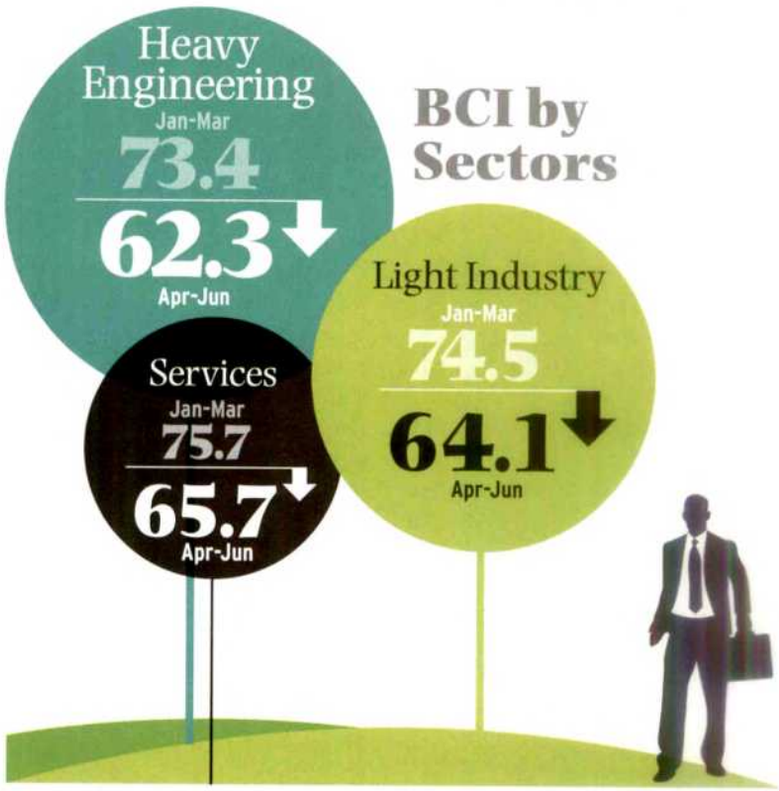
On the one hand, the cost of inputs such as natural rubber doubled in the past year. On the other, higher interest rates are deterring car buyers. So even as the revenues of Maruti Suzuki increased from ₹28,958 crore in 2009/10 to ₹36,128 crore in 2010/11, costs increased by 27 per cent and pulled down net profits during the same period from ₹2,498 crore to ₹2,289 crore.

The surge in commodity costs also put the brakes on SUV maker Mahindra & Mahindra's profit growth. In the January

Overall Business Confidence Index (BCI)

has slipped since the last quarter

BCI by Sectors



BCI by Size

Business confidence index on a scale of 100

GRAPHS AND ILLUSTRATIONS BY SANTOSH

"Profit has come down as interest cost has gone up"

Harsh Goenka
Chairman, RPG Group

to March quarter, M&M's net profit rose just 6.4 per cent to ₹606.5 crore, though revenue was up nearly 28 per cent to ₹6,778.17 crore. M&M's operating profit margin declined to 13.78 per cent in the same period from 15.73 per cent in October to December 2010 and 16.22 per cent in July to September 2010.

In the first round of the survey that was conducted immediately after Budget 2011, the respondents had largely said that they expected the economic situation, sales and profits to improve in the April to June quarter. They were too optimistic. In the second round, nearly 65 per cent of the respondents told C *fore* their profit margins were turning out to be lower than in the January to March period. One in two respondents ticked the option 'rise in raw material and input costs' as the reason for lower profit margins compared to January to March, and attributed falling sales to 'high prices'.

The sharpest drop in optimism was in the interest rate-sensitive heavy engineering segment and the smallest size companies surveyed in the first week of June, about a month after the Reserve Bank of India, or RBI, spooked the corporate sector with a steeper-than-expected half a percentage point hike in interest rates in its long-drawn fight against inflation.

Pawan Goenka, president, Society of Indian Automobile Manufacturers, or SIAM, and also president, Automotive Sector, M&M, told *BT* that he had expected a hike of a quarter of a percentage point at the most. The high interest rates and worsening confidence, said Goenka, "are taking a toll" as the auto industry's growth figures for April and May have been much lower than in the same months last year.

Indeed, for the 2,526 companies that had declared corporate results for the January to March quarter by early June, quarterly net profits were up only 14.6 per cent year-on-year in comparison to the 23 per cent rise in sales during the same period. In contrast, the October to December quarter had seen a robust profit growth of 24 per cent, and the quarter before that an even healthier growth of 39 per cent.

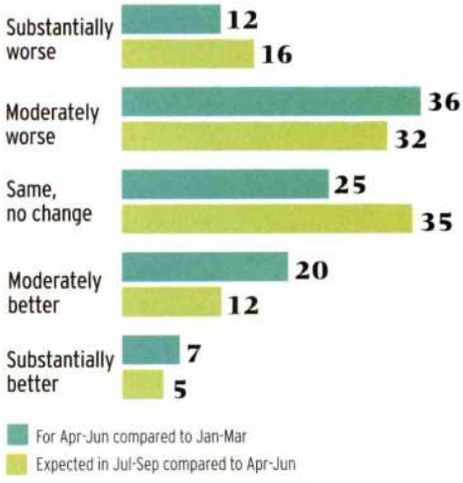
Reflecting the poor performance, the Sensex and the Nifty have been lagging behind their Asian peers since the beginning of this financial year, slipping 8.11 per cent and 7.94 per cent by June 30.

The latest government data shows that GDP growth in the January to March quarter slipped to 7.8 per cent from 8.3 per cent in the October to December quarter of last year as industrial sector growth moderated to 5.3 per cent. Most economists expect GDP growth in 2011/12 to be below eight per cent. Finance Minister Pranab Mukherjee too announced on June 16, the day RBI hiked interest rates for the 10th time in just

The Weak Macroeconomy

Dampened business sentiment

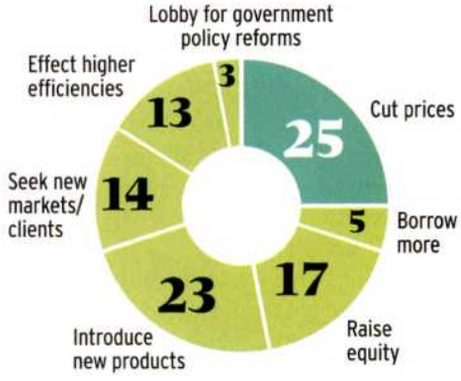
How do you rate the overall economic condition?



Falling Confidence

Pushed companies into wait-and-watch mode

What do you plan to do to deal with the current situation?

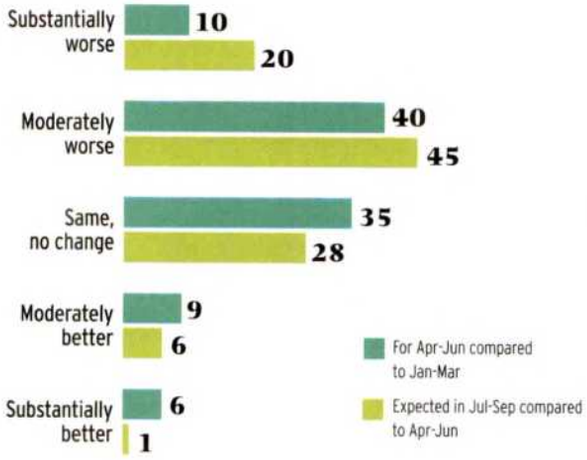


Figures are per cent of respondents

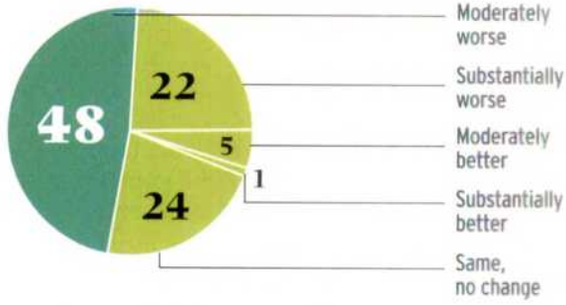
Already Tight Money Markets

Became tighter after the RBI's aggressive interest rate hike in May

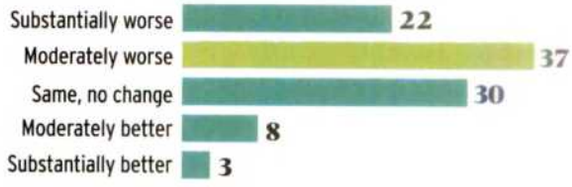
How do you rate the availability of business finance?



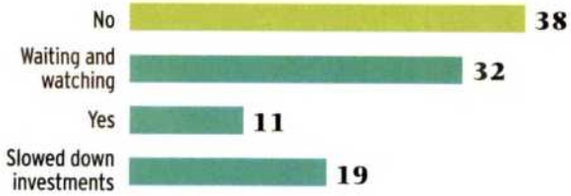
What will the cost of external finance be during Jul-Sep?



What will the requirement of working capital be during Jul-Sep?

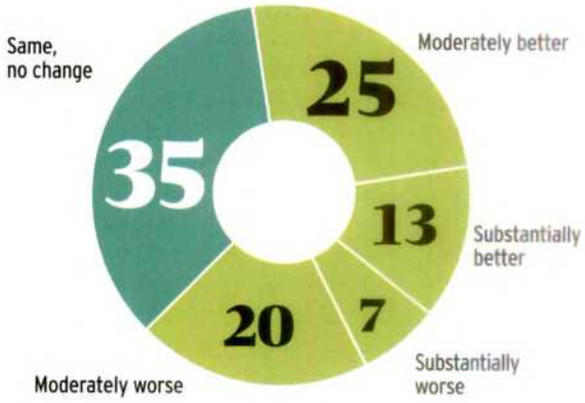


Have you postponed/cancelled expansion projects?



How do you foresee your stock price pick up?

How do you foresee your investments in business operations over the next quarter compared to the previous quarter?



Figures are per cent of respondents

"Industrial activity will pick up only by the end of 2011"

Ajay Nanavati
Managing Director, 3M India

over a year – this time by a quarter of a percentage point – that growth in 2011/12 could be slower.

In the absence of a positive policy push from the United Progressive Alliance, or UPA, government, business confidence has dropped so much that barely 17 per cent of respondents told *C fore* they expect the overall economic condition to improve in the next quarter. Eighty three per cent said they expect cost of raw materials to rise in the quarter. Fewer than a quarter of the respondents expect sales to pick up in the next three months.

Ajay Nanavati, Managing Director of 3M India, which makes a diverse range of products, from median markers to surgical drapes, says barring any unanticipated external shocks or weak monsoons, industrial activity will start picking up only by the end of 2011.

Predictably, the going is tougher for price-sensitive markets. PepsiCo India is battling inflationary pressures through similar inward and outward measures. "We are working on ways to enhance productivity and cut costs," says CFO Kimsuka Narasimhan. "But if this situation continues, we might have to go in for selective pricing."

That is a choice not available to all companies – candy makers for instance. For decades, candies have stayed put at 50 paise a piece. This industry has been trying hard to get out of the 50 paise-price-stranglehold for some time, but, as Sameer Suneja, Managing Director, Perfetti Van Melle India, says, it "cannot risk losing consumers by tweaking ingredients that will alter the taste". The only option, with prices of sugar and milk defying gravity, is to drop weights as it did for Center Fresh like many other competing brands in the industry.

The only silver lining at the moment is exports. The trend in April and May shows that the demand for Indian gems and jewellery is better than last year, says Rajiv Jain, Chairman, Gem & Jewellery Export Promotion Council, and also Chairman and Managing Director of Sambhav Gems, Jaipur. "The same trend is expected in the next quarter."

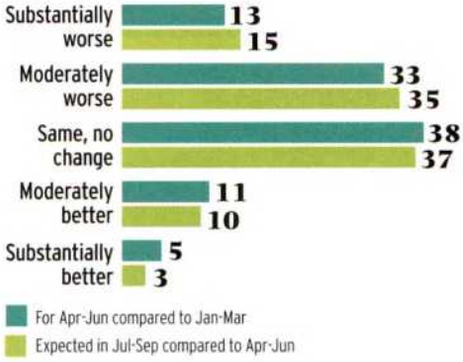
Tefkot Cable, supplier of insulated wires to big companies such as Cummins Generator Technologies and Honeywell India, has seen its turnover jump to ₹5 crore in 2010/11 from ₹3.2 crore in 2009/10 but only because it increased prices following a rise in input costs. The hi-tech SME has managed to pass on the full input cost rise to its customers without losing market share as it enjoys a 20 to 30 per cent labour and machinery cost advantage over most foreign markets. "Business is good," says owner Jugal Kishore, but he is in a small minority. ◆

ADDITIONAL REPORTING BY SUMAN LAYAK, SHAMNI PANDE, KUSHAN MITRA, RAJIV BHUVA, K.R. BALASUBRAMANYAM, SUNNY SEN AND TASLIMA KHAN

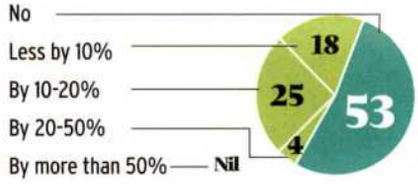
Persistently High Inflation

Squeezed pricing power and profit margins

How do you rate the demand conditions?



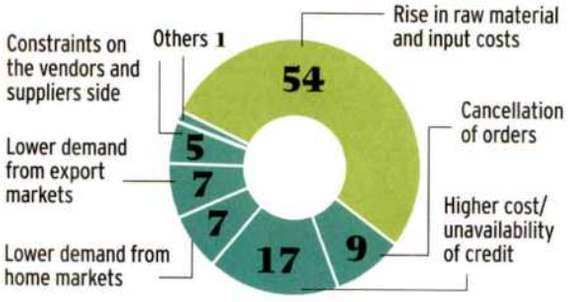
Are there fewer buyers in the market?



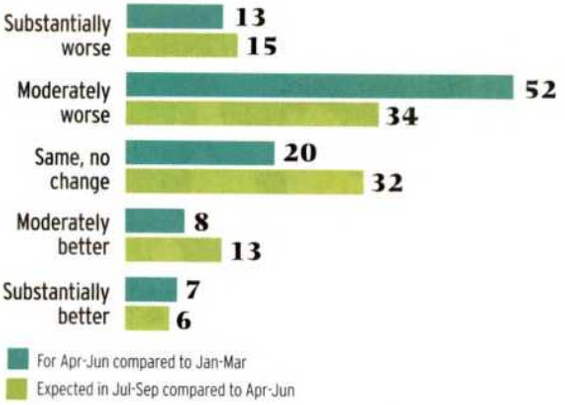
What is deterring buyers?

Figures are per cent of respondents

Why are margins low?



How do you rate profit margins?

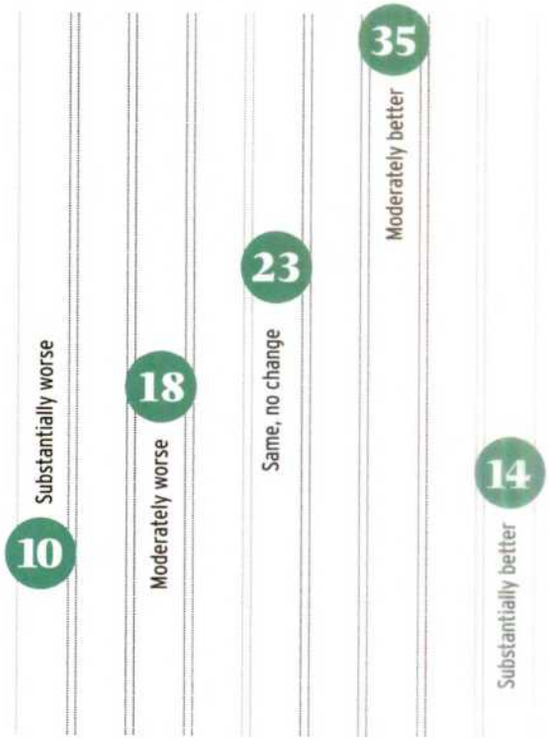


Have you slashed prices to lure more buyers?

How do you see your sales in Jul-Sep?

Figures are per cent of respondents

How do you foresee your selling prices in Jul-Sep compared to the present?



METHODOLOGY

Market research agency *C fore* conducted the survey for the April to June 2011 quarter. A structured questionnaire was administered to CEOs/CFOs of companies. In all, 500 CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities – Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Vizag and Bhubaneswar. The companies were segmented based on their turnover as well as products. Those with a turnover of over ₹500 crore have been termed as big, those between ₹100 crore and ₹500 crore as medium, those with less than ₹100 crore as small and those with less than ₹5 crore as micro businesses.

The responses to 34 questions pertaining to the present business climate and also to their future expectations were collated. The average confidence level was calculated on a five-point scale, which was further normalised on a 100-point scale.

The Money Meisters

CFOs have moved beyond bookkeeping to becoming the CEO's closest partners. *BT*-YES Bank's listing of top CFOs

By ANAND ADHIKARI

BEST CFOs

CATEGORY		COMPANY	CFO
Best CFO		Larsen & Toubro	Y. M. Deosthalee
Sustained Wealth Creation	(LARGE COMPANIES)	Hero Honda Motors	Ravi Sud
	(MID-SIZE)	Educomp Solutions	Sangeeta Gulati
Remarkable Leverage Management	(LARGE COMPANIES)	Bharti Airtel	Akhil Gupta
	(MID-SIZE)	Opto Circuits (India)	M. Srinivas
Consistent Liquidity Management	(LARGE COMPANIES)	Maruti Suzuki India	Ajay Seth
	(MID-SIZE)	Lakshmi Machine Works	R. Rajendran
Best Transformation Agent	(LARGE COMPANIES)	Larsen & Toubro	Y. M. Deosthalee
	(MID-SIZE)	GlaxoSmithKline Pharma	Mehernosh Kapadia

CATEGORY	COMPANY	CFO
Enhancing Competitiveness Through M&As	Mahindra Group	Uday Phadke
Glocal CFO (Managing Financial Complexity)	Infosys	V. Balakrishnan
Best CFO of a PSU	ONGC	D. K. Sarraf
Best Treasurer	Cairn India	Indrajit Banerjee
Commitment to Triple Bottom Line	Ambuja Cements	

Date: April 28, 2011. Scene: Guido de Boer, Chief Financial Officer, United Breweries, answering queries from analysts on a conference call, soon after announcing his company's fourth quarter results.

Analyst: Why don't we see the company benefitting from the high beer consumption after the cricket World Cup win?

Guido De Boer: In general, the impact of such events on beer sales is grossly overestimated..... the real impact is of the weather.

Analyst: How does that affect sales?

Guido De Boer: Summer time purchases are a bigger driver.

Date: May11, 2011. Scene: Similar. Adesh Gupta, CFO of Grasim Industries taking analysts' questions.

Analyst: Do you have any feedback to show cement demand is accelerating? Which regions?

Adesh Gupta: See if India has to grow, the infrastructure has to grow and if infrastructure grows, cement has to grow and ...

Guido De Boer and Adesh Gupta did not have their high-profile bosses – Vijay Mallya and Kumar Mangalam Birla respectively – by their side when they took the above questions. Mallya and Birla were elsewhere, confident that their CFOs were more than capable of defending their companies' performance and spelling out future strategy. This was not an exception; they have stopped attending results announcements of their companies, as have many other industry heavyweights.

Boer and Gupta are representative of modern day CFOs who have become the public face of their respective companies. Their role goes way beyond preparing the company balance sheet. **They are more like business partners of their CEOs.** It is a dramatic change from the time, not so long ago, when the CFO sat in a corner during result announcements, speaking only if the CEO or Chairman who was presiding asked him to.

"The CFO is no longer just a number cruncher," says Sridhar of Pfizer. Over the years, the role of a CFO has evolved from being a bookkeeper to that of one who raises resources, meets compliance and regulatory requirements, and handles investors. "The last role broadened after 2008 (when the downturn struck)," Sridhar adds.

If the role has expanded, it has become much more challenging as well. The biggest of such challenges are the shorter business cycles. Commodity prices have become volatile, interest rates change and currency fluctuations are frequent and unpredictable. "What used to be a three-to-four year business cycle in steel, refineries or shipping has become a six-month cycle," says V. Ashok, Group CFO of Essar.

For the second year now, *Business Today* and YES Bank have got together to pick the best CFOs in the country – the CFOs of the BT500 companies to pick likely winners; Mick Gordon, Managing Director, Synovate India, another partner that did the perception study with brokers and fund managers; Ashok Chawla, former finance secretary and now tipped to be the Competition Commission of India chief, and Renny Thomas, partner at McKinsey.

Trial by Jury

The job for the jury was cut out: to pick a total of 14 winners from the top three in each category. Going by the long discussions held in New Delhi at the end of May this year, it was no easy task. Barring Akhil Gupta of Bharti Airtel, who the jury members unanimously decided deserved the award for Leverage Management, all the other choices – including that of the overall Best CFO – were announced after much debate. It was a close call between Hero Honda and Infosys for the award for Wealth Creation, between Maruti Suzuki and Jindal Power & Steel for Liquidity Management, and between the Mahindra Group and the Bharti Group for Enhancing Competitiveness through Mergers and Acquisitions.

The only category in which jury members went beyond the top three names was the Commitment to the Triple Bottom Line. Ambuja Cements, which was in the top five but never made it to the top three because of a CFO change, was eventually given the award. The final toss-up for India's Best CFO for 2009/10 was between two stalwarts: Y.M. Deosthalee of Larsen & Toubro and Akhil Gupta of Bharti Airtel.

The jury consisted of Amit Kumar, Senior President, Corporate and Institutional Banking, at YES Bank, which carried out the initial sorting of

Hard decisions: (L-R) Renny Thomas, Mick Gordon, *Business Today* Editor Chaitanya Kalbag, Ashok Chawla and Amit Kumar

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How *BT* and YES Bank Chose the Best CFOs

The financial year 2009/10 was a tough one for CFOs, with companies slowly recovering from the downturn amid fears of a relapse. This made choosing award winners a challenging task as well.

BT-YES Bank used the tested BT 500 companies – ranked by market capitalisation – as the basis for analysis. The list was sorted into three: large companies, or those with revenues of more than ₹2,000 crore, mid-sized companies, whose revenues were lower, and public sector units, or PSUs. After the first round of eliminations, 37 large companies, 34 mid-sized ones, and 13 PSUs remained. Another 20 were listed separately for their success at mergers and acquisitions, or M&As.

The study also factored in differences between sectors and peer comparisons within particular sectors. For many key ratios, the benchmark of good performance – say, debt to equity ratio or price to earnings ratio – differs from industry to industry. For M&A, companies from the BT500 that completed mergers and acquisitions in the financial year were considered.

Market research firm Synovate stepped in next to undertake a qualitative perception-led survey of brokers and fund managers to further prune the list. They interviewed 60 top-notch brokers and fund managers, forming four panels to assess the companies.

The Sustained Wealth Creation award panel considered parameters like the ratio of market value to book value, return on equity as well as capital employed and price to earnings ratio. The Leverage Management panel analysed debt ratios such as net debt to EBIDTA (earnings before depreciation, interest, taxes and amortisation) and total debt to net worth. The panel on Liquidity Management studied current ratio, working capital cycle, etc. A second phase perception-led survey captured company developments relating to FY11, just as the first phase had analysed FY10 financial results. The final list had 12 large companies, eight mid-sized, three PSUs and three for M&As.

Disclaimer: Most of the companies may have a direct or indirect relationship with YES Bank, BT's partner in this study

ones who best succeeded in finding the balance between company growth and meeting shareholder expectations, while keeping input costs down during the difficult financial year of 2009/10. As was the case last year, we have several categories, but Y.M. Deosthalee, CFO of the behemoth Larsen & Toubro, emerges the overall winner.

"We have consciously worked at removing risk from our businesses over the last two years," says Deosthalee. "Thus despite large variations in foreign currency and commodity markets, we have managed to maintain our operating margins."

A noticeable feature of the last two years has been that of the CEO devolving the task of protecting the company from the impact of adverse external developments to the CFO. Policy flip-flops continue to plague infrastructure sectors such as real estate or telecom. Sometimes there is a temporary paralysis in government, and key decisions are kept pending. At other times, unexpected environmental concerns arise or the Central Bureau of Investigation starts a probe. Such things have serious financial implications for the companies involved. "Suddenly CFOs have to be very savvy about legal matters," says Praveen Sood of Hindustan Construction Company, one of whose subsidiaries, Lavasa Corporation, is losing ₹1.5 crore every day, because the Union environment ministry has stopped work on its development project at Lavasa, 90 km from Pune.

In the difficult economic environment of 2009/10, with the downturn receding but leaving behind major problems, there were bigger challenges of managing leverage as well as liquidity. "A CFO is no longer raising money from retail investors, but from sophisticated institutional investors who actually look at how confident the CFO is about the future," says Ashok of Essar.

Sood of HCC says: "A CFO has to take a great deal of interest in every aspect of his company's projects, right from the time of the bidding to incorporate all possible future risks." Take Bharti Airtel, which has emerged winner in the Leverage Management category, or Maruti Suzuki India, which won in the Liquidity Management category. Bharti's strong balance sheet enabled it to tie up funding for its massive 3G and Broadband Wireless Access spectrum bids. Maruti has a strong working capital cycle management with almost 75 per cent of its components manufacturing being outsourced. ◆

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Striking A Conservative Note

It is not often that the legendary singer Bhimsen Joshi is talked about in corporate offices. But then, Yeshwant Moreshwar Deosthalee, CFO and Whole-time Director at Larsen & Toubro, is a music aficionado. "Singing is a hobby," he says. "I enjoy Hindustani classical and old Hindi film songs. Kishore Kumar, Hemant Kumar, Manna Dey, Rafi, and Mukesh are my favourites."

The 64-year-old L&T veteran, who is a chartered accountant and has a law degree, studied Hindustani classical music for three years. "I made a mistake by giving it up. It requires a lot of practice and passion, and I was not able to give it that kind of attention," he says. But there's no denying Deosthalee's understanding of and interest in music. He was instrumental in L&T Infra Finance funding 'Bandish', a three-day music festival in Mumbai that gave performers of old and almost-forgotten forms of Indian music the chance to bring their art back into the limelight.

Deosthalee is the modern-day exponent of an age-old method of doing business – eliminating risk to maximise profits. "We have consciously worked at removing risk from our businesses over the last two years. And hence, despite large variations in foreign currency and commodity markets, we have managed to maintain our operating margins," says Deosthalee.

L&T's operating margin for 2010/11 is proof of this. Despite a challenging economic environment, it grew to 15.2 per cent in the fourth quarter, 12 basis points higher than the figure for the same quarter of the previous year.

But eliminating risk is no easy job, especially at a ₹45,000-crore behemoth. The conglomerate has a presence in engineering, construction, power, information technology, oil and gas, shipbuilding, and financial services. Infrastructure and power projects are seen driving growth in the future.

"The projects business has its own peculiarities. It is lumpy,

Y.M. Deosthalee, 64, CFO and Member of the Board

MY BEST PRACTICE
Decision-making is meticulously objective. I am willing to learn from anyone, including juniors

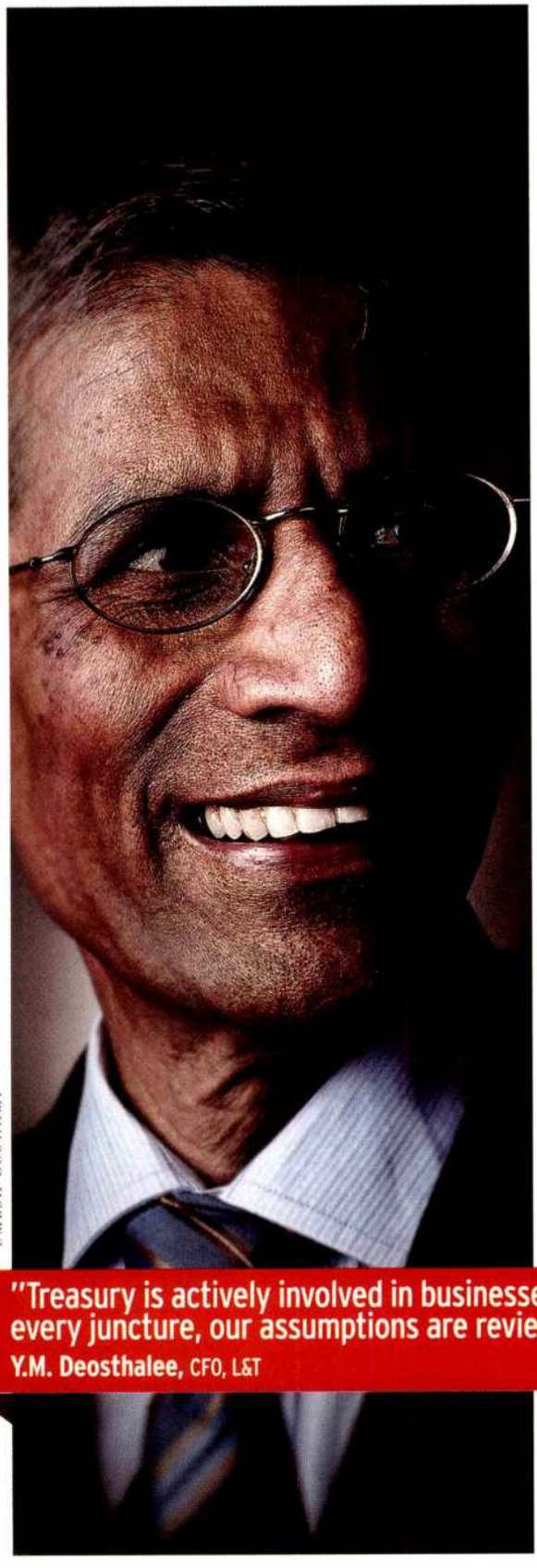
WHAT GETS MY GOAT
Hypocrisy, a political environment in the office. I try to defuse or avoid such situations

HOW I UNWIND
Singing light classical music. I love Hindustani music

GLOBAL CFO/CEO I ADMIRE
Steve Jobs and Apple, for their ability to innovate and come back after failure

Video clip at www.businesstoday.in/deosthalee

VIVAN MEHRA/www.indiatodayimages.com



UMESH GOSWAMI

"Treasury is actively involved in businesses. At every juncture, our assumptions are reviewed"
Y.M. Deosthalee, CFO, L&T

which means that orders are spread unevenly and cash flows are not uniform. It is also risky; all the risks – be it people, foreign currency, commodity price – are on you," says Deosthalee.

"What complicates matters further is that in the projects business you cannot pad up for contingencies. Your margins are already very low – about 11 to 12 per cent – so if you provide for adversity, you'll never bag a project," he says. The trick, says the man who at one point was seen as filling the big shoes of Chairman and Managing Director A.M. Naik, is to have an institutionalised framework to manage risk. "Over the past two years, we have managed to remove risk," he says. "There is active involvement of treasury in businesses."

He adds that treasury is involved right from bidding to completion, making sure that risks arising from currency movements and commodity price fluctuations are minimised. "You have to make assumptions while bidding for a project. At every juncture, these assumptions must be reviewed, so we hold risk review meetings at several levels in a project," he says.

This emphasis on risk reduction is not misplaced. Nor is it the result of an old-school 'safe' approach to business. L&T surprised investors with 27 per cent year-on-year growth in orders in the last quarter of 2010/11. Many analysts say L&T is the best placed Indian company to capitalise on the country's infrastructure development. Orders in its infrastructure segment alone grew 61 per cent in the last financial year, over the previous year.

Deosthalee and his team ensure that profitability is not affected, and do so without crimping growth. With an enviable borrowing cost of four to eight per cent on average, they have ensured that businesses are never starved of cash and can expand.

Deosthalee, who is credited with L&T's forays into infrastructure project finance, general insurance and mutual funds, says infrastructure development is a top concern. "There's no comprehensive approach to building India's infrastructure. Development is happening in pockets. Everyone is looking at it from a silo perspective."

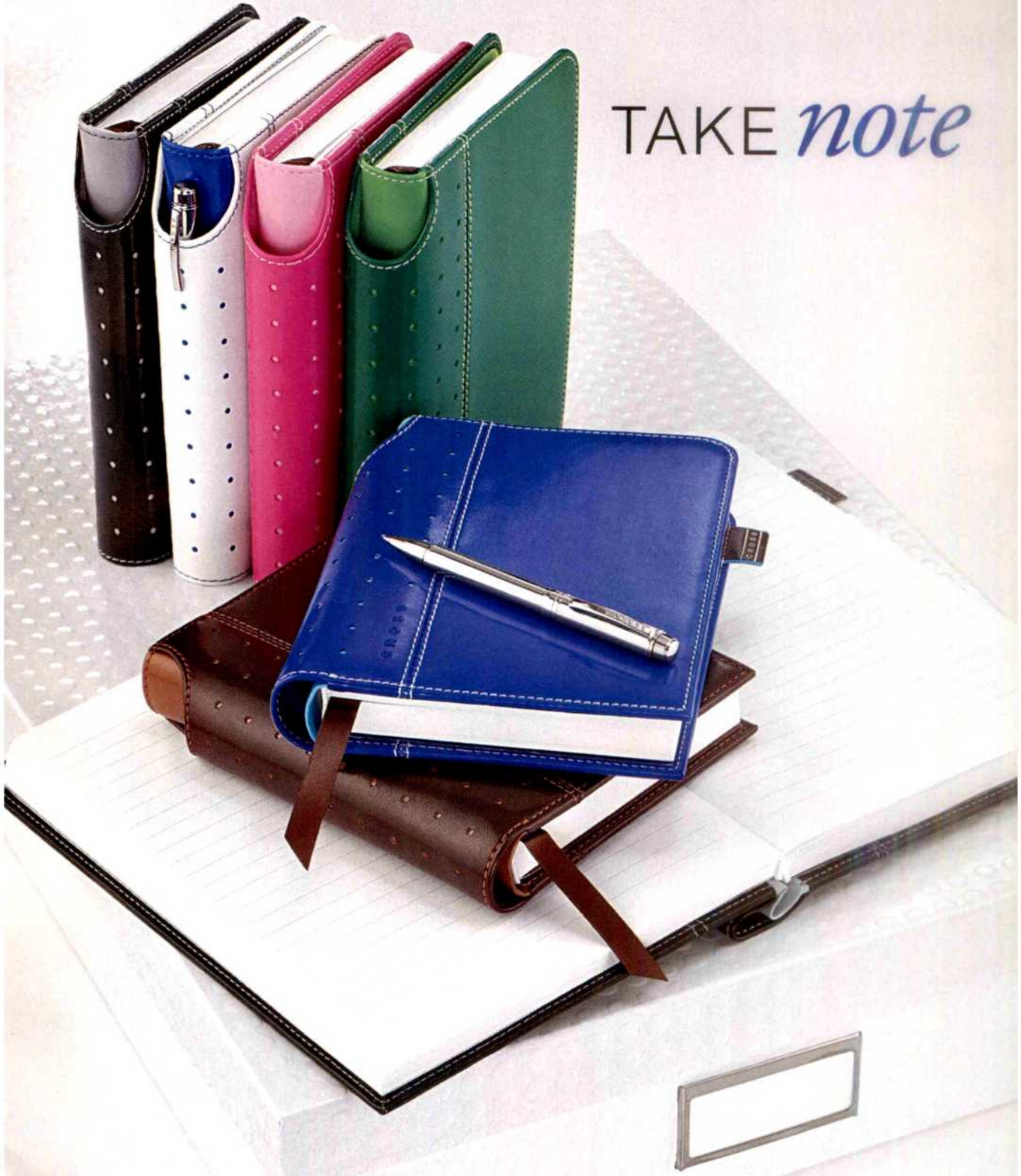
Two other issues that worry him are the policy framework – the company has had to tweak quite a few of its plans on account of elections in five states and delays in environmental clearances – and the global economic environment. Even so, L&T has given a guidance of 15 to 20 per cent growth in orders for this financial year.

In the past, several musical *gharanas* kept their *bandishes*, or compositions, within the family, fearing that others would render them without sufficient understanding. By contrast, Deosthalee's mantra for steering the gigantic L&T ship is no secret. But his tightly knit, back-to-basics financial manoeuvre is paying off for sure.

GEETANJALI SHUKLA

WRITING INSTRUMENTS EYEWEAR CUFFLINKS LEATHER ACCESSORIES WATCHES

CROSS.



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Ravi Sud, 57,
Senior Vice President & CFO

MY BEST PRACTICE
Openness and transparency. Be as open as possible to all stakeholders. Do not make anybody an insider

WHAT GETS MY GOAT
Rumours and rumour-mongers

HOW I UNWIND
On weekends, I sit at home and relax

GLOBAL CFO/CEO I ADMIRE
Why go abroad? The CFO that I admire the most, and call 'guru', is T.V. Mohandas Pai (former CFO of Infosys)

Video clip at www.businesstoday.in/sud

SUSTAINED WEALTH CREATION
LARGE COMPANIES

The Cup Runneth Over

The shelf above Ravi Sud's desk is crammed with awards. "I even took some home, because there isn't enough space here," he says with a laugh. The reason for the plethora of awards is Sud's aversion to debt. He proudly points out that his company, Hero Honda Motors, has been debt-free for more than a decade. It is also a BSE Sensex and NSE Nifty company that has steadily paid the highest dividends to shareholders over the same period, he adds.

Sud has a simple explanation for why Hero Honda is able to pay out large dividends: "I'm fortunate to be in a company that operates in a sector where we don't need to invest a lot in capital expenditure."

With its motorcycles in constant demand, and sales climbing every year, Hero Honda generates a large amount of cash. Sud says he needs to maintain the company's return on capital employed at a reasonable level, and the best way to do that is to pay the shareholder. "I'm not an aggressive investor," he says, explaining his attitude towards treasury operations. "The best returns I can generate on that cash, therefore, are nine or 10 per cent. So why not give the money back to the people it belongs to – the shareholders."

For the financial year 2009/10, Hero Honda paid a dividend of 5,500 per cent on each share, which included a special 4,000 per cent "Silver Jubilee" payout. Given that the company's shares have a face value of ₹2, this worked out to ₹110 per share. The company's net profits that year were ₹2,231.83 crore. This translated into earnings per share, or EPS, of ₹111.77, which meant that almost the entire EPS was distributed as dividend.

Despite such extraordinary payouts, the company still has a healthy amount of cash on its balance sheet. Even after factoring in the dividend for the financial year 2010/11, this amount is close to ₹4,000 crore. "Luckily, it doesn't cost much to set up a motorcycle factory," says Sud. "A plant with a capacity of 750,000 costs around ₹500-550 crore. So for most major expenses, we have the money. And we can always raise more if we want to."

But all this is not to say that Sud does not have his share of problems. "I hate rumours," he says. Things got tough at the end of last year, when the rumours flew for days, as the Munjal family, which controls the Hero group, decided to part ways with Honda Motor of Japan, the co-promoter of Hero Honda. "We could not speak because things were not yet in the public domain, and that was a bit frustrating," says Sud. "But one must remember that this was an issue between the promoters, not an issue for the company."

When Sud was finally able to speak about the issue, he went to great lengths to set the record straight. "I believe in openness and transparency. So I clarified to every person I could, for example, that royalty rates would never exceed three per cent, contrary to the rumours of eight or nine per cent. Hopefully, now all that has stopped." Does he expect things to get tougher as the promoters are splitting up? "No, not at all," he answers nonchalantly.

KUSHAN MITRA

SUSTAINED WEALTH CREATION MID-SIZE

Daring to Be Different

Sangeeta Gulati joined education services provider Educomp Solutions in 2000 as a stopgap. "I was bored at Jindal SAW, where I was working," she recalls. "Educomp then was a small company, with a top line of ₹3.67 crore. I just wanted a break to figure out my next challenge." But she soon found herself in the thick of things. She learnt that the financial controller she had come in to replace had found it difficult to get banks to open a line of credit for it, as it had no assets.

"One day, when Santanu (Prakash, the founder and Managing Director of Educomp) was in the lift with me, I asked him if I could give this a shot. He shrugged a 'yes' before getting off," she recalls.

She went to the State Bank of Patiala, with whom she had dealt earlier. There was much hemming and hawing. "I said, 'I'm your guarantee. You have worked with me'," she says. She secured a facility for ₹1.25 crore without collateral. This enabled Educomp to get its first government order, for the Mahiti Sindhu Project in Karnataka, which provides computer education in schools.

Eleven years on, she is still at Educomp, and directs an entire floor of legal, financial and tax professionals. "Initially, very few understood our business model, as there were no precedents or comparable companies, and the education industry didn't exist as such. Educomp was the first in the fray, and we built the education business model from scratch," she says.

Last year, she set another benchmark when she convinced a bank to back what is being called the 'securitisation-led sale model' of funding, by which receivables are securitised on a third-party balance sheet. This model has had its share of critics, but Gulati brushes them aside. "You can scrutinise our books – we are very transparent," she says.

SHAMNI PANDE

Sangeeta Gulati, 45,
Chief Financial Officer

MY BEST PRACTICE
Strike a balance between social and financial objectives

WHAT GETS MY GOAT
Indiscipline, delays and unprofessional behaviour

HOW I UNWIND
Painting, watching movies

GLOBAL CFO/CEO I ADMIRE
Mohandas Pai (as CFO of Infosys), because it is a challenge to create a sound financial structure at the startup stage, on which the company builds subsequent growth. Steve Jobs for his innovation.

Video clip at
www.businesstoday.in/gulati

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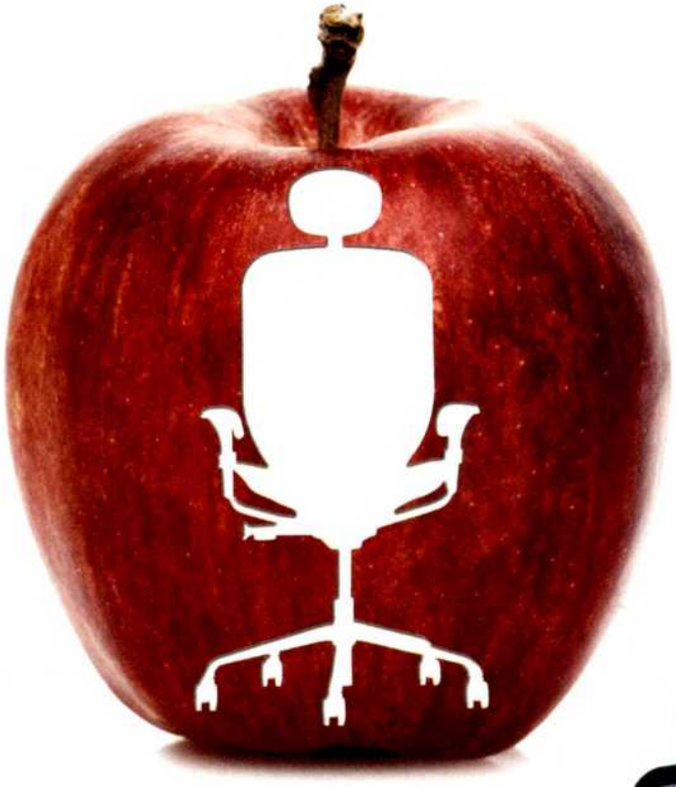

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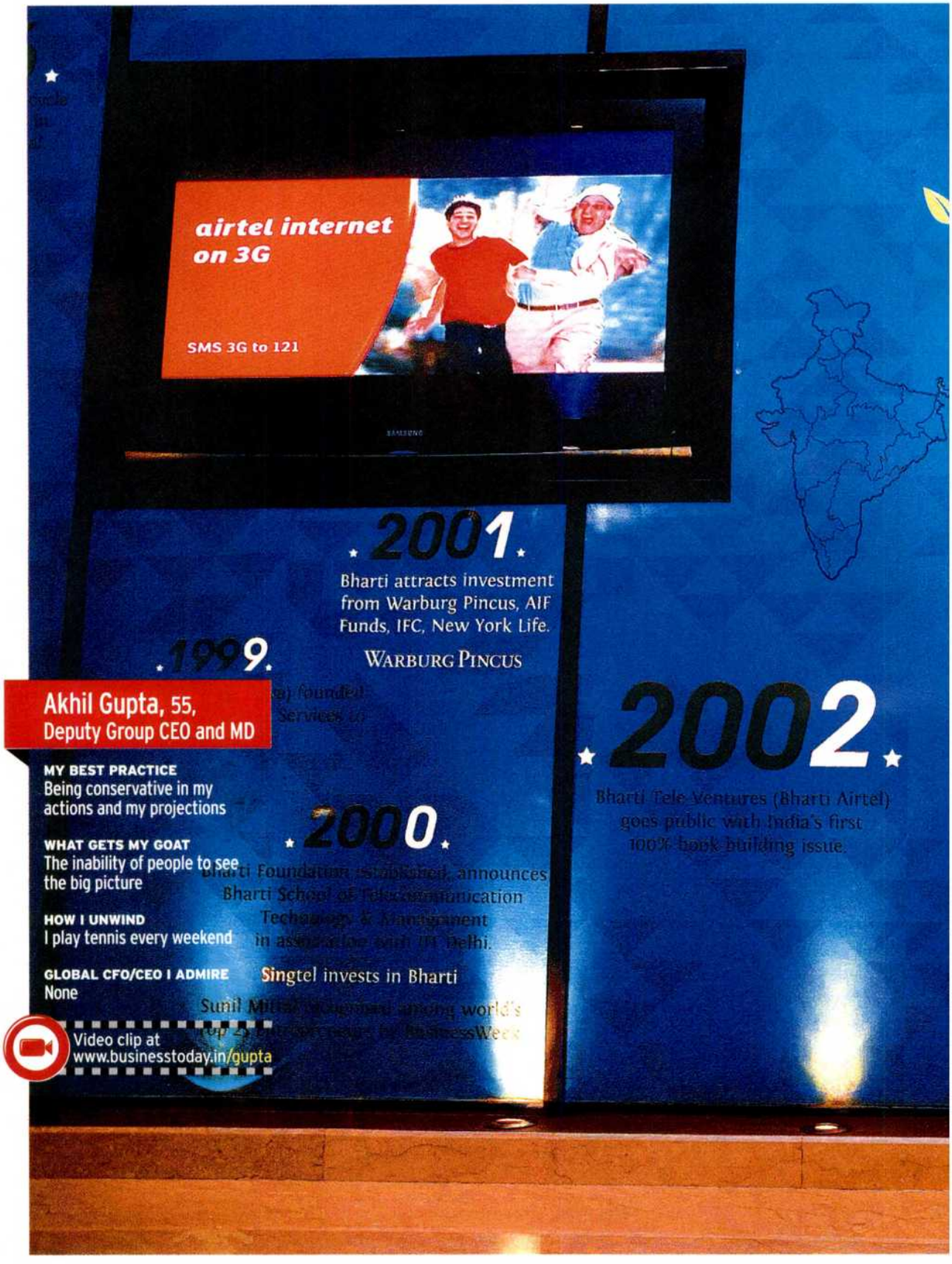


Akhil Gupta, 55,
Deputy Group CEO and MD

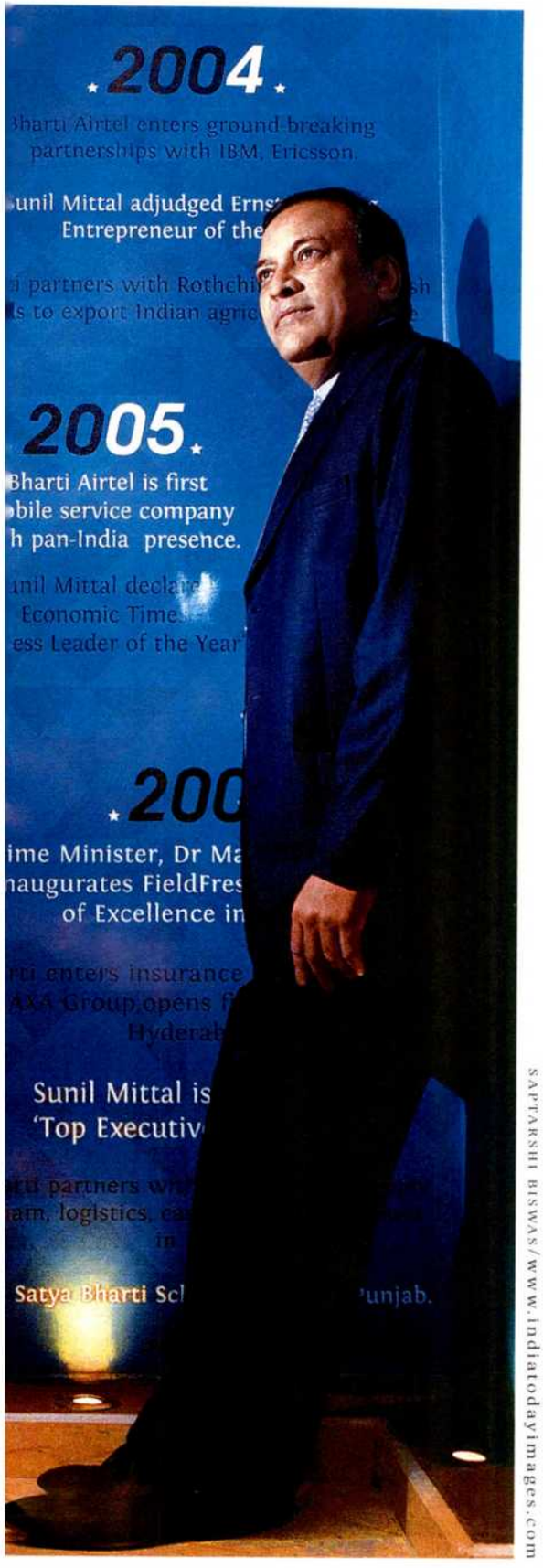
MY BEST PRACTICE
Being conservative in my actions and my projections

WHAT GETS MY GOAT
The inability of people to see the big picture

HOW I UNWIND
I play tennis every weekend

GLOBAL CFO/CEO I ADMIRE
None

Video clip at www.businesstoday.in/gupta



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REMARKABLE LEVERAGE MANAGEMENT
LARGE COMPANIES

Focused on the Big Picture

The name Akhil Gupta is familiar to anyone who tracks the Indian telecom industry. He is the banker to Bharti Airtel, and an important reason why the Sunil Mittal-promoted company is now jostling with global biggies for a seat at the high table of international telecommunications. What is the secret of his success? "I'm actually quite conservative," he says. "At Bharti Airtel, we did not load ourselves with a lot of debt. In fact, for years leading up to the acquisition of Zain's operations in Africa, we made sure we had cash on hand."

This is in the context of the troubles that several companies are facing as their foreign currency convertible bonds come up for redemption. "I always implore people to see the big picture and not be aggressive with forecasts," he says.

When raising debt, Gupta uses a simple metric: debt to EBITDA. "A company should know just how much debt it can profitably service. In the telecom industry, which has a healthy growth forecast, three times the debt to earnings is quite good. Any more than that, and I'd be concerned about my ability to service that debt." Steering Bharti Airtel safely was a challenge when it went through periods of massive capital expansion. Today, the company has almost a quarter of India's 700-million-subscriber mobile phone market.

Gupta has a few more golden rules. One of them is to constantly evaluate one's business. Recently, Bharti exited the financial services business, by selling its stake in a joint venture with French firm AXA to the Mukesh Ambani-controlled Reliance Industries. Gupta, who was the key person in striking the deal, also played a crucial role in selling the stake. "You have to see how much you can possibly do," he says. "We did not feel we were giving it [the venture] full attention, and we told our partners as much. Businesses have to constantly look at themselves. I do not feel that happens enough nowadays."

Gupta is now removed from day-to-day activities at the Bharti Group, as Manik Jhangiani is the Group Chief Financial Officer. "Things are more relaxed for me now," he says. But he still monitors the global economic climate. "People say that Greece will collapse," he says. "But you know what? The India growth story is far from over. Sure, inflation is a concern today, but growth will continue." He jokes that when times are rough, it is easier for companies such as Bharti to raise funds. "Money flows into safe havens and companies that have established a good record," he says. And who would know that better than Gupta – after all, he established Bharti's record.

KUSHAN MITRA

REMARKABLE LEVERAGE MANAGEMENT MID-SIZE

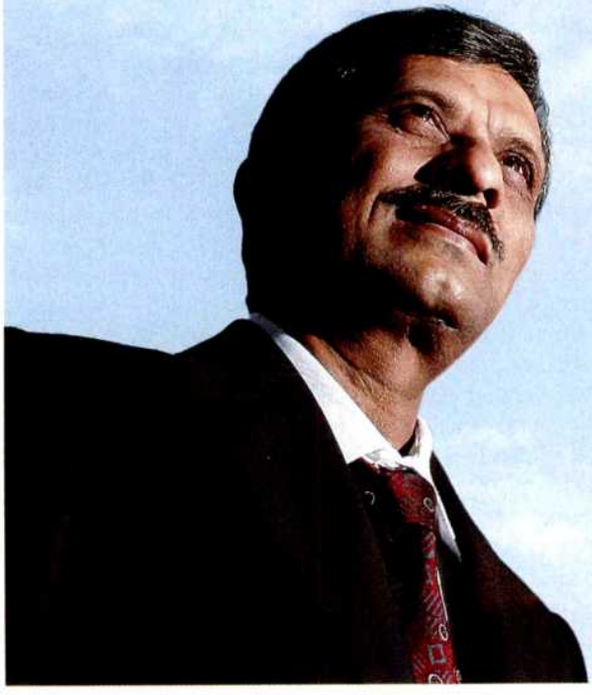
Acquisition Champion

Funds hardly seem to be a problem for Opto Circuits, the Bangalore-headquartered maker of medical devices, when it comes to buying out smaller peers. Last year alone, it bought Cardiac Science, a company based in Seattle in the US, for $95 million (about ₹427 crore), N.S. Remedies of Kolkata for ₹6.7 crore ($1.5 million), and Unetixs Vascular, another US firm, for $9.7 million (about ₹44 crore). So far, 19-year-old Opto Circuits, founded by four first-generation entrepreneurs, has snapped up 11 companies, four of them big ones.

How does it do this? Head of Finance Muniswamy Srinivas, 53, who has been part of the company since it began, says it raises debt from banks on the strength of its strong revenues and repayment record. "We keep our balance sheet deleveraged and make acquisitions usually at a quarter's notice," he says. "We borrow just in time so that we can save on interest cost." Srinivas, an MBA and former executive with PSI Data Systems, says Opto began by making sensors for medical use, but figured that acquisitions were the fastest way to meet all the product needs of a customer. Opto makes over 100 products, with non-invasive devices fetching three-fourths of its revenues. "Our business is recession-proof and brings us high margins," says Srinivas. He hopes to grow revenues this year by 25 per cent. Last year, Opto reported a profit after tax of ₹368 crore on revenues of ₹1,586 crore. Sales in India account for just seven per cent and the US remains its largest market.

Promoters Vinod Ramnani, Thomas Dietiker, Jayesh Patel and Usha Ramnani together hold a 28 per cent stake in Opto, which has debt of ₹700 crore and a debt-equity ratio of 3:5. It stays clear of high-cost rupee debt. "Once, when we had to take a rupee loan, we raised fresh equity soon after the acquisition and quickly paid it off," he says. Opto usually goes for foreign currency loans because most of its acquisitions are overseas. "Our debt carried an interest of four per cent last year, which will come down further this year," he says.

K.R. BALASUBRAMANYAM



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Muniswamy Srinivas, 53, Head, Finance

MY BEST PRACTICE
I prefer verbal communication more than e-mails

WHAT GETS MY GOAT
If work is not completed within the stipulated time

HOW I UNWIND
Playing cricket

GLOBAL CFO/ CEO I ADMIRE
N.R. Narayana Murthy. He inspires youngsters to take on challenges

Video clip at www.businesstoday.in/srinivas

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Ajay Seth, 51,
Chief Financial Officer

MY BEST PRACTICE
Keep challenging the status quo. Continue to innovate and bring in best practices

WHAT GETS MY GOAT
Laid-back attitude, complacency

HOW I UNWIND
By listening to music, especially classics – bands such as the Carpenters and the Beatles

GLOBAL CFO/CEO I ADMIRE
N.R. Narayana Murthy, because he ran his company like a professional, and stepped down at the right time

Video clip at www.businesstoday.in/seth

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LARGE COMPANIES

It's Always Brainstorm Season

The mood at the Delhi headquarters of Maruti Suzuki India is relaxed. Most of the staff is away on an extended weekend, because of biannual maintenance work on the premises. Ajay Seth, Chief Financial Officer, just back from a holiday in Greece and Turkey, is in an expansive mood. He recalls how, in 1976, he decided to study commerce, although science was the most popular subject at the time. "Commerce was not trendy then, but I was good with numbers," he says. Soon afterwards, he decided to become a chartered accountant. He started his career in 1983 at Eicher Motors as Assistant Manager (finance). Stints at JCB and Toyota followed, before Seth joined Maruti in April 2005. At the time, things were not as smooth as they are now.

Seth says be believes true team effort translates into maximum returns. So brainstorming is common, resulting in many ideas that are eventually implemented. One such idea was to invest in markets where returns are high, and risks minimal. So the team would weigh mutual fund options, typically fixed maturity plans. Last year, this strategy enabled Seth to increase returns by around ₹50 crore, or 0.75 per cent on cash of about ₹7,000 crore. Another brainstorming session focused on improving tax efficiency, and on borrowing funds in ways that would save on cost. On the treasury side, Seth considered buyer's credit, which lets the company borrow more cheaply. For example, the interest rate on a loan from an Indian bank may be 9 per cent, but borrowing in yen could reduce the interest payout to 7 per cent. "The company is so big that you tend to miss out on certain things if you don't brainstorm," says Seth.

Before 2005, processes in manufacturing, accounting and other aspects of business at Maruti were manual. As the finance officer, Seth initiated automation of these under the umbrella of Enterprise Relationship Management. This system enables different divisions of the company to follow processes through a single software. This software has a series of controls to ensure that processes are thoroughly followed. "Earlier, we had no such system. Today we have one that lets us monitor whether key controls are being adhered to," says Seth.

However, over the same period, the company's EBITDA margin has fallen, from 15 per cent in 2005/06 to 10.2 per cent in 2009/10. Seth blames this on currency fluctuations. "If the exchange rate was at the 2007/08 level, our margins would have been six percentage points higher," he says. But he has taken this as an opportunity to learn, and is focusing on improving localisation. His target is to reduce imports by 50-60 per cent in three years. Currently, Maruti's imports are worth ₹6,000-7,000 crore.

Seth says the economic downturn was a massive opportunity for Maruti. "That's when we created our niche in the rural market," he says. A quarter of Maruti's revenues are from rural sales – a remarkable jump from three to four per cent before the downturn.

Maruti has cash reserves of ₹7,000 crore, of which ₹4,000 crore will be used for capital expenses. Seth says the only way to stay ahead is to invest. "The competition is going to get more and more intense, and the market is getting more cluttered, with so many players," he says.

SUNNY SEN

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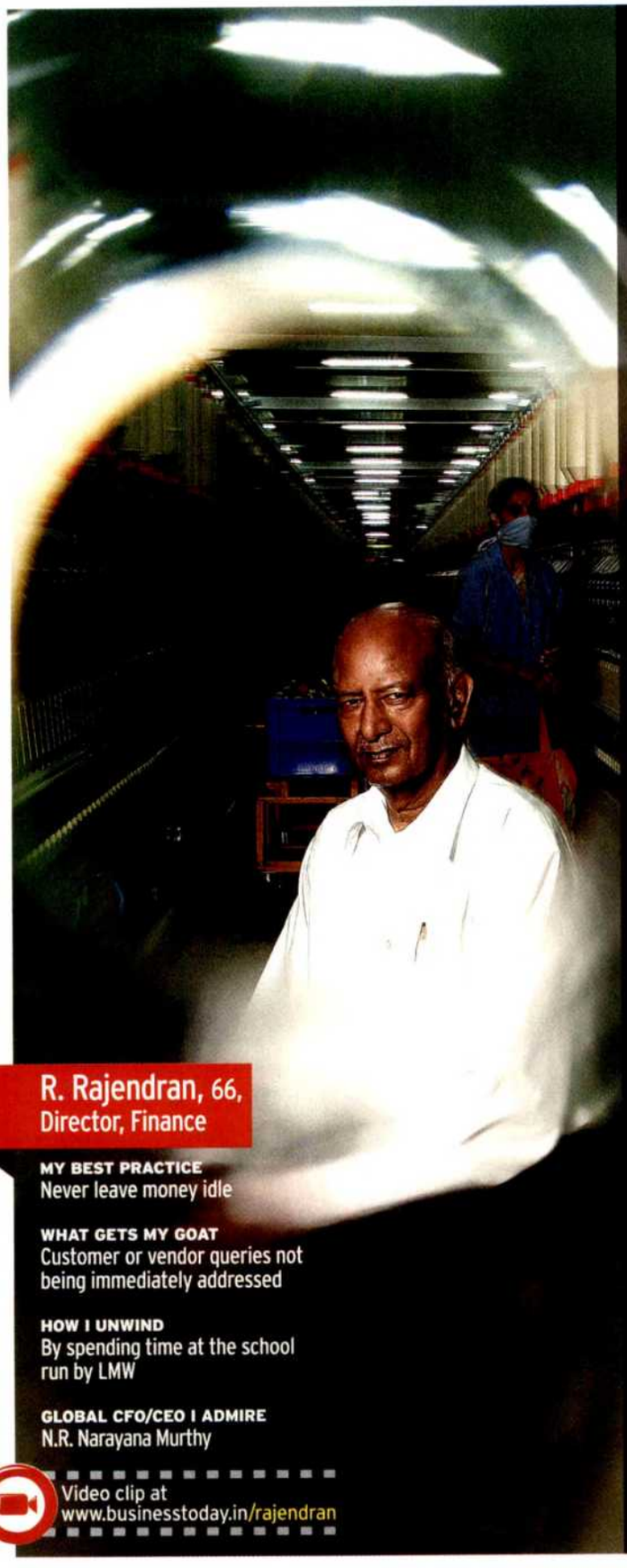

R. Rajendran, 66,
Director, Finance

MY BEST PRACTICE
Never leave money idle

WHAT GETS MY GOAT
Customer or vendor queries not being immediately addressed

HOW I UNWIND
By spending time at the school run by LMW

GLOBAL CFO/CEO I ADMIRE
N.R. Narayana Murthy

Video clip at
www.businesstoday.in/rajendran

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CONSISTENT LIQUIDITY MANAGEMENT MID-SIZE

Problems of Plenty

His company sits on a pile of cash: ₹700 crore. Lakshmi Machine Works, or LMW, a Coimbatore-based textile machinery manufacturer, lords it over the segment, and can afford not to sell on credit. In fact, its customers pay an advance of 10 per cent and wait for more than a year for the machinery they ordered.

LMW has an order book worth ₹4,600 crore, and has been debt-free for the past seven years. Indeed, for most of Rajendran's 41 years at LMW, the challenge has always been one of plenty. A chartered accountant, he joined LMW in 1970 as an internal auditor and rose within the ranks to head finance. In February 2011, he was inducted into the board.

"Managing surplus cash is much more challenging than raising debt, as you have to exert greater self-control and live within your means," he says. In 1995-96, LMW diversified unsuccessfully into areas such as steel manufacture and the granite industry. It took the company almost a decade to recover from the mess.

"Today, we are extremely judicious with the funds," says Rajendran. "We acquired two loss-making companies in our area of operations and did a ₹225-crore share buyback in 2010-11." If there are no investment opportunities, LMW simply keeps the money in fixed deposits. Rajendran abhors keeping cash idle, and has opted for electronic payments to vendors and others.

His focus now is on fixed costs. Competition is increasing with the entry of global players such as Rieter, once LMW's partner. "Our cost-plus margin model may come under pressure in the future," he says. If there is one reason why he tracks borrowing costs, it is to study the impact it will have on demand from the textile industry – and his topline. His bottom line is protected against lending costs.

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Sales Are Vanity, Profit Is Sanity

Mehernosh B. Kapadia is soft-spoken, extremely patient and prudent – not exactly qualities that one would associate with the winner in the category of Best Transformation Agent. But it is this combination – together with work practices such as an open door and aversion to micromanagement – that have helped him transform GlaxoSmithKline Pharmaceuticals, or GSK Pharma, and keep it at pole position.

After ambling along for five years, GSK Pharma stepped up the pace from 2008 (it follows the calendar year) to nine per cent per year. In 2010, net profit increased by 15 per cent to ₹581.38 crore, net sales by nearly 13 per cent to ₹2,112 crore. Kapadia played a key role in allocating resources for promotion, expanding the field force and ensuring the right product mix. The company currently has ₹2,000 crore in cash reserves.

"Almost 40 per cent of our growth comes from products introduced three to four years ago," says Kapadia. "New medicines form a larger part of the portfolio. This has helped us de-risk our business, reducing our dependence on older products, some of which have price controls."

The company's transformation began after the merger of Glaxo India with SmithKline Beecham Pharmaceuticals (India) in 2000. It enabled the new entity to push the best products of both.

Kapadia helped the process by controlling expenses, generating enough cash and constantly looking at ways to deploy accumulated cash balances.

"Sales are vanity, profit is sanity and cash is king" is Kapadia's favourite aphorism. But he worries about talent retention. "How we manage our talent and look after our human capital will be key in the years to come," he says.

What of the future? "We want to commercialise all our assets, especially the patented products, branded generics and vaccines, which currently contribute 11 per cent to our sales, but could contribute up to 20 per cent by 2015," says Kapadia.

Alongside there will be geographical expansion and in-licensing deals with companies that are not yet in India. "We will add branded generics in areas where we are not adequately represented," says Kapadia.

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ENHANCING COMPETITIVENESS THROUGH M&As

Hungry for Growth

To market, to market, to buy – a strategic fit. That is what the Mahindra Group has been doing as it strives to grow. And Uday Phadke is the man who ensures that there is enough cash to do this, and that the deals are feasible.

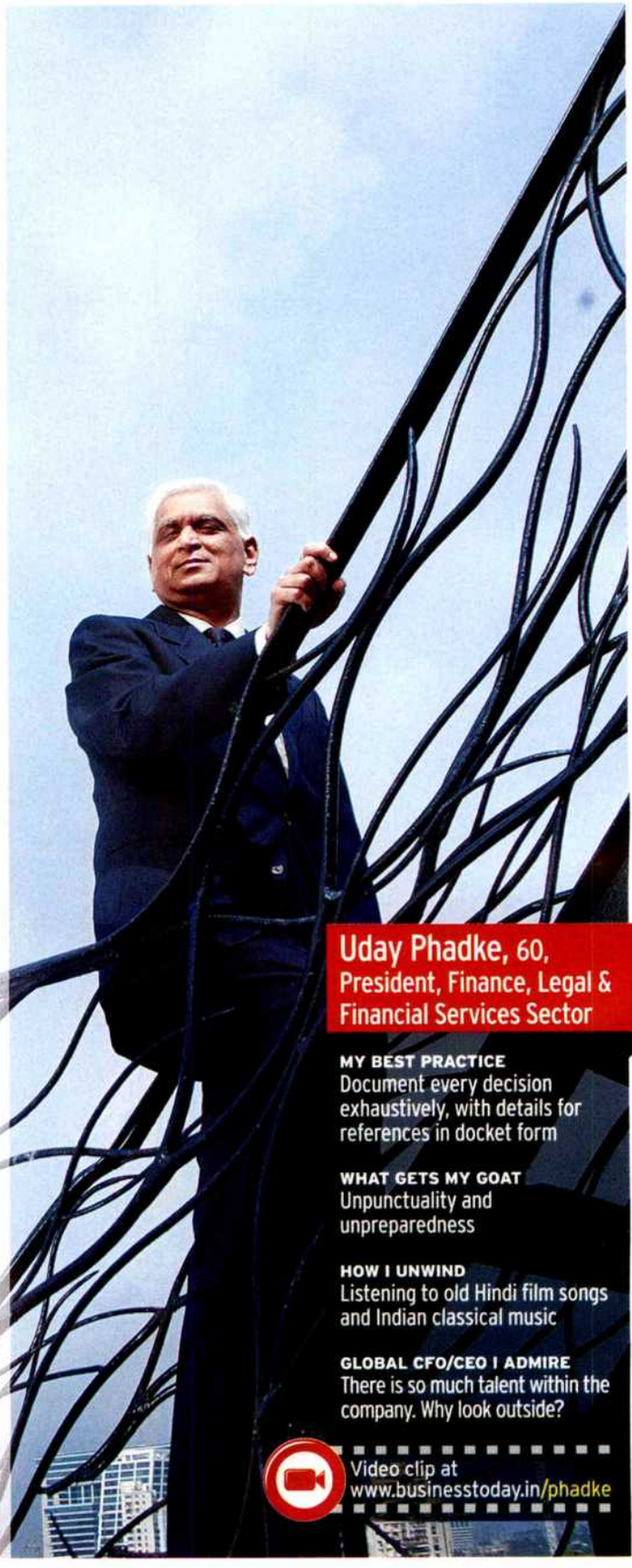
In the past three years, the group has acquired 27 assets in India and abroad. These include information technology major Satyam Computer Services (now Mahindra Satyam), automotive companies Ssangyong of South Korea and Kinetic Motors, and two aviation companies in Australia. Mahindra saw all these acquisitions as strategic fits. "We buy only if the products of the company that's being acquired fit into the group's growth strategy," says V.S. Parthasarathy, Group CIO and Executive Vice President for Finance and M&A. Ssangyong, for example, helped the group strengthen its presence in the sports utility vehicle, or SUV, space, giving it access to markets in developed countries.

It helped that Mahindra went hunting during the global slowdown, when valuations were low. The group was also prudent enough to pass up big-ticket deals such as the Jaguar Land Rover sale.

Perhaps it is moves such as these that helped M&M maintain a debt-equity ratio of 0.23:1 as of March this year, despite the acquisitions. "One of the enablers for this healthy ratio was the successful call that we made on our $200 million FCCB issue," says Phadke, referring to its decision to redeem the foreign currency convertible bonds in November 2010, ahead of schedule.

"We were successful in converting all except $1 million worth of bonds, and we could do this without a sweetener," says Phadke, who has been with the company for 38 years now (it was his first job). As CFO, he has been adept at playing the toughest of balancing acts – balancing growth and profitability.

GEETANJALI SHUKLA



NISHIKANT GAMRE/www.indiatodayimages.com

Uday Phadke, 60,
President, Finance, Legal & Financial Services Sector

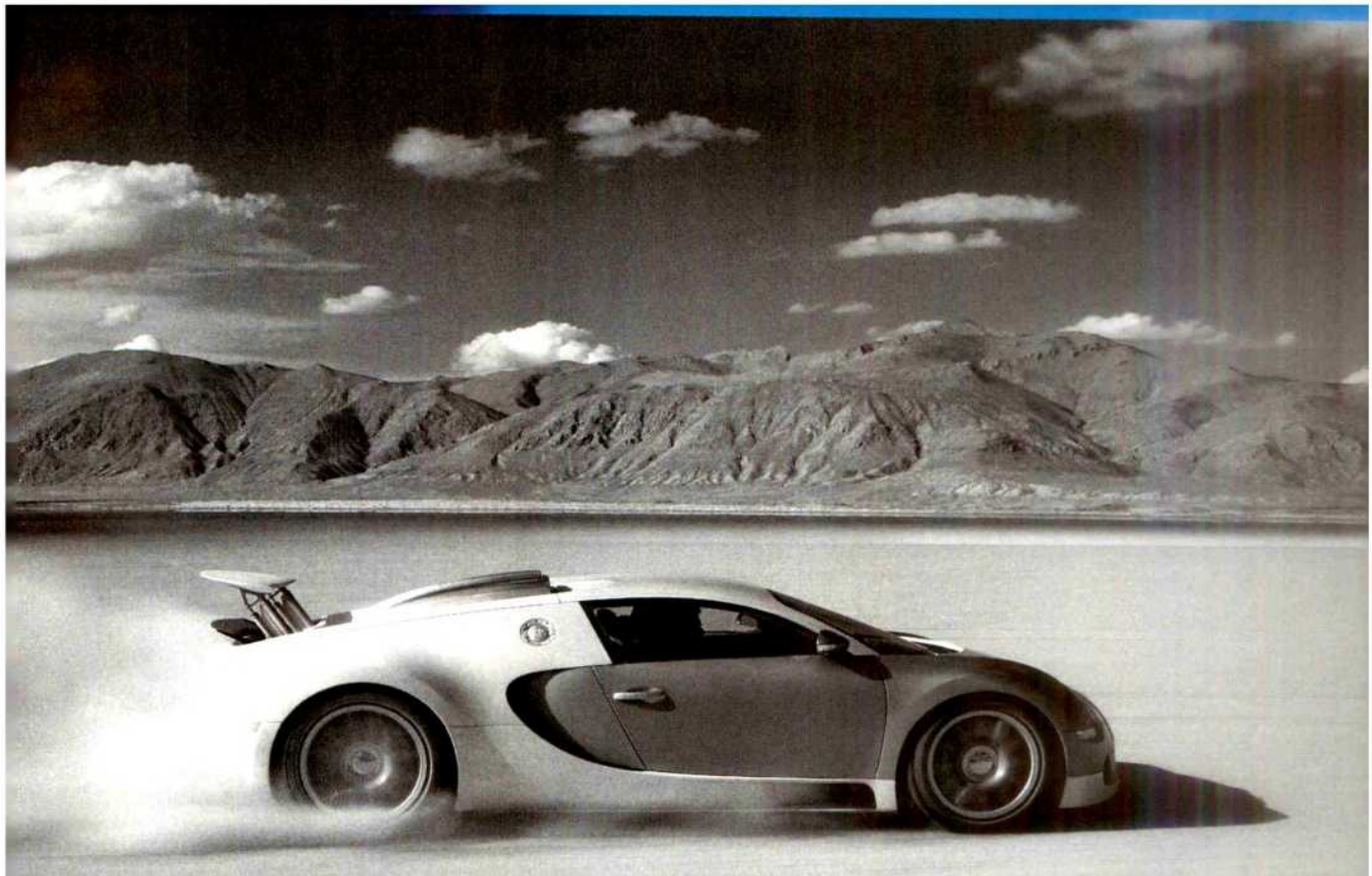
MY BEST PRACTICE
Document every decision exhaustively, with details for references in docket form

WHAT GETS MY GOAT
Unpunctuality and unpreparedness

HOW I UNWIND
Listening to old Hindi film songs and Indian classical music

GLOBAL CFO/CEO I ADMIRE
There is so much talent within the company. Why look outside?

Video clip at www.businesstoday.in/phadke



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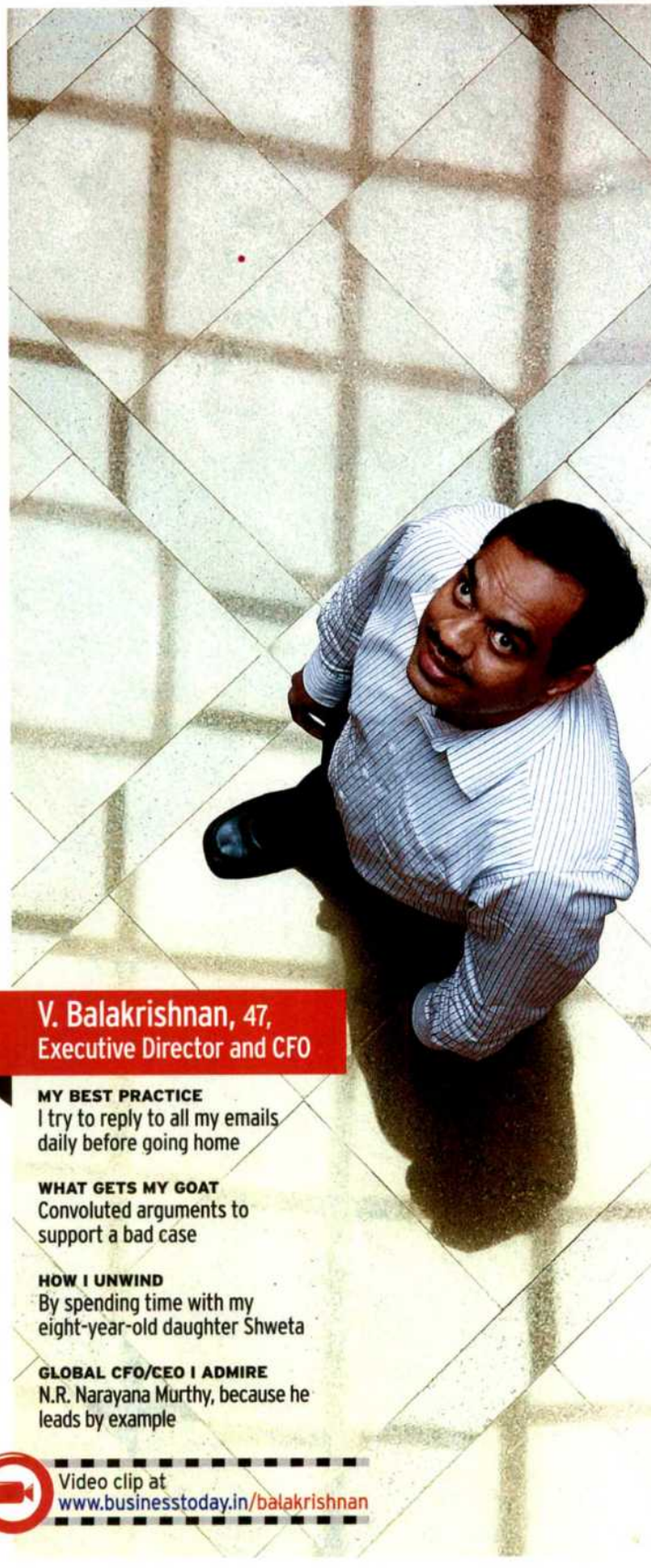
BARCLAYS WEALTH



V. Balakrishnan, 47,
Executive Director and CFO

MY BEST PRACTICE
I try to reply to all my emails daily before going home

WHAT GETS MY GOAT
Convoluted arguments to support a bad case

HOW I UNWIND
By spending time with my eight-year-old daughter Shweta

GLOBAL CFO/CEO I ADMIRE
N.R. Narayana Murthy, because he leads by example

Video clip at
www.businesstoday.in/balakrishnan

GLOCAL CFO

Smiling, bu
Fingers Cro

Venkatram Balakrishnan, newcomers on the Infos follows international ne CFO since 2006, Bala – as he is bet – is pleased that his company's cli the world have healthy informatic ogy budgets this year. He is opti they will spend liberally, thus Infosys's coffers, but he is far fron

"The question is whether they ally spend the money," he says. recession, he points out, they t three quarters to react to a nega tion by curbing expenditure. "Bu response is quick." Companies h to tighten the purse strings at th of trouble. Hence his obsession v economic trends.

There are some ominous sig and Bala says he expects 2011/1 more challenging than 2010/1 two additional responsibilities ramping up both Finacle, Infosys solutions product, in develope and the BPO, or business process ing, business. "Our BPO business at 30-40 per cent a year," he say

Bala has no worries on the Infosys has no debt. It sits on a c $4 billion (₹18,000 crore). His n is currency management, since Ir ates in 45 countries and earns ne cent of its income in foreign Currency management on such tough, but his strategy of hedgi quarters seems to have worked w

Acquisitions? Only if they pl the business or are strategic fits,

Mentor N.R. Narayana M stepped down, but has left behi vision for Infosys 3.0. If Infosys the transition, it will be a differen "Infosys 3.0 is all about earning ity revenue and getting a better n ness," says Bala.

K.R. BALASUB

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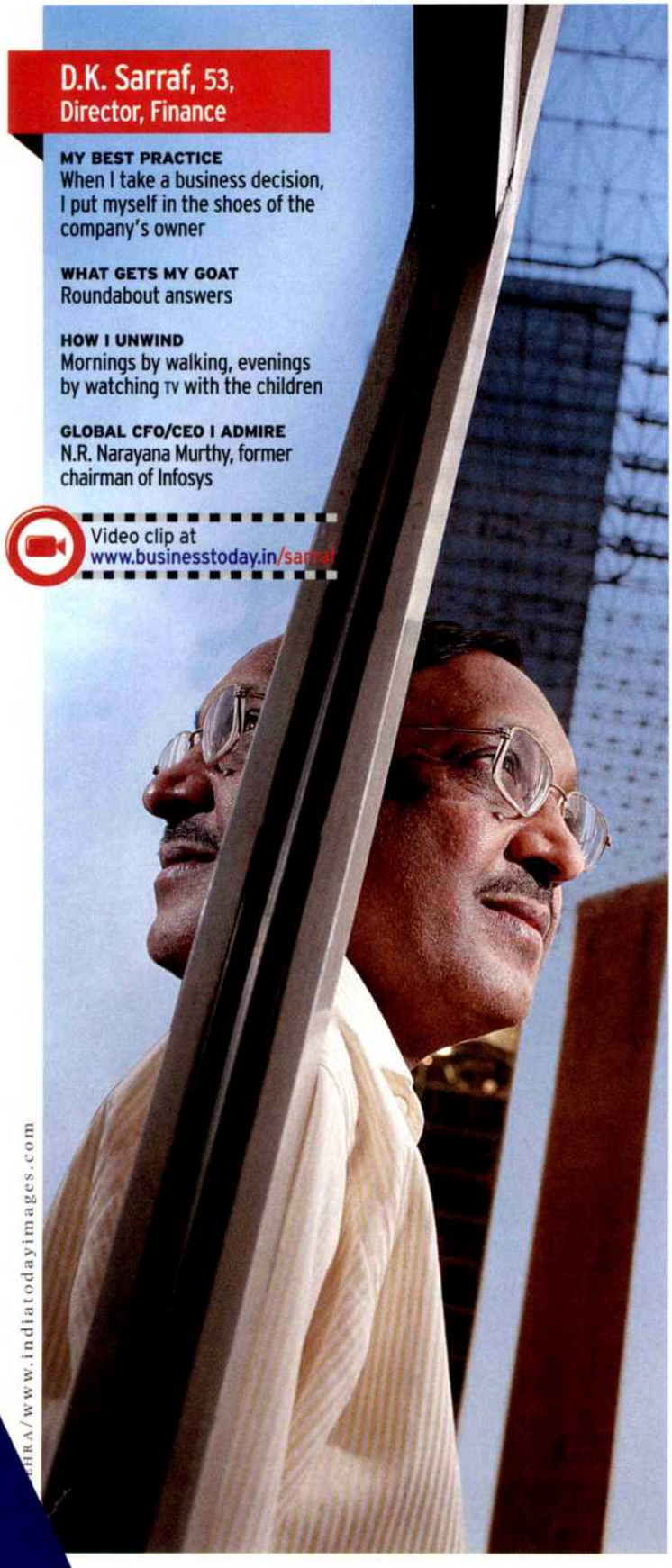

D.K. Sarraf, 53,
Director, Finance

MY BEST PRACTICE
When I take a business decision, I put myself in the shoes of the company's owner

WHAT GETS MY GOAT
Roundabout answers

HOW I UNWIND
Mornings by walking, evenings by watching TV with the children

GLOBAL CFO/CEO I ADMIRE
N.R. Narayana Murthy, former chairman of Infosys

Video clip at www.businesstoday.in/sarraf

PHOTOGRAPH/www.indiatodayimages.com

BEST CFO OF A PSU

Against All Odds

Managing the finances of the state-run Oil & Natural Gas Corporation or ONGC is not easy. There are *fait accompli* expenses. The government, for instance, makes ONGC hand over a large chunk of its earnings to oil marketing companies, or OMCs. The logic: oil and gas producers such as ONGC gain from higher crude prices, and hence should help the OMCs, which have to sell diesel, cooking gas and kerosene at state-determined prices well below the cost of production. So, in 2010/11, when crude oil prices surged and ONGC's turnover rose to ₹69,532 crore, it had to hand over ₹24,892 crore to the OMCs.

Most of ONGC's major oil fields are past their prime. Their yield is falling, so the company has to incur additional expenditure to improve production. But all this has not stopped finance director D.K. Sarraf from aiming high. Sarraf wins the award for the best CFO of a public sector unit.

In 2010/11, ONGC increased its total production of oil and gas by 6.5 per cent over the previous year. "Almost 80 per cent of our fields have entered the declining phase," says Sarraf. "But by taking proactive steps in the past seven to eight years, we have prevented the expected fall in base production."

ONGC has also monetised its Tripura gas discovery, which was underused for nearly two decades because there was not much industrial demand in that corner of the country. In December 2010, it commissioned a gas-based 363.3 MW power unit in Tripura, and will double this capacity by March next year. It is also investing in two joint venture downstream projects, in Gujarat and Karnataka.

There are no guaranteed earnings for ONGC's investors, because of the oil subsidy burden it shoulders. "It is *ad hoc*. We are ready to share the burden, but there should be a standard formula," says Sarraf. Yet, for the financial year 2010/11, ONGC paid a total dividend of 350 per cent.

MANU KAUSHIK

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BEST TREASURER

Steady Pipeline

The past three years have been unprecedented for petroleum drillers across the world, as volatile prices have made cash flows unpredictable. But things have been fairly smooth at Cairn India, because of its low-cost operating model.

Cairn India kept direct operational expenditure in the field at $2.3 a barrel. "We make sure that we are at the low end of the cost curve throughout the lifecycle of the fields," says Indrajit Banerjee, executive director and chief financial officer.

In 2009, in the thick of the downturn, Cairn India raised $1.6 billion through debt to finance its project in Rajasthan. Part of this money was raised in the UK, and part in India.

The Indian lending did not come through without trouble. Cairn had to negotiate hard with the banks, as they were not used to reserve-based lending, that is, lending on the strength of the borrower's oil reserves. "We had to create a legal structure that linked the lending to our participating interest in the project, and secure it that way," he says.

Dealing with foreign exchange market risks is par for the course, as far as Banerjee is concerned, since most of Cairn's earnings are in dollars. "Since part of our expenditure is in rupees, risk comes into play whenever we need to convert dollars into rupees," he says.

So Cairn is active in currency hedging, mostly in the form of options that protect against future rupee appreciation. "If the rupee appreciates, we are protected, and if it depreciates, we tend to gain because the dollar value goes up," he says.

MANU KAUSHIK

Indrajit Banerjee, 55,
Executive Director and CFO

MY BEST PRACTICE
Trust, transparency and timeliness

WHAT GETS MY GOAT
I work in Gurgaon and live in Delhi. The drive home puts all my nerves to the test

HOW I UNWIND
By travelling to a remote place where my BlackBerry doesn't work

GLOBAL CFO/CEO I ADMIRE
Anil Agarwal, Executive Chairman, Vedanta Resources

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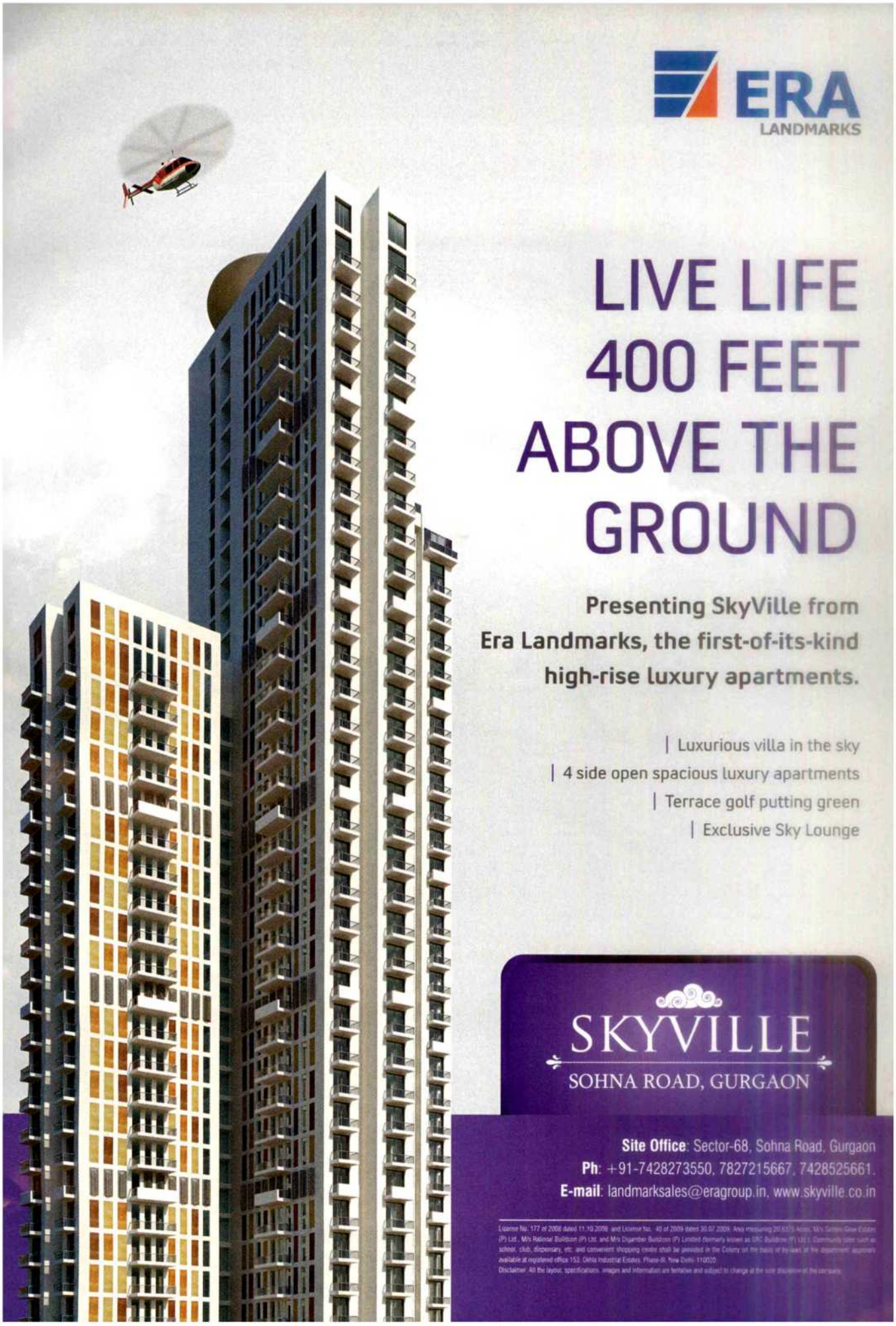
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The Giant with a Heart

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The initiatives of the Ambuja Cement Foundation range from water management to women's empowerment

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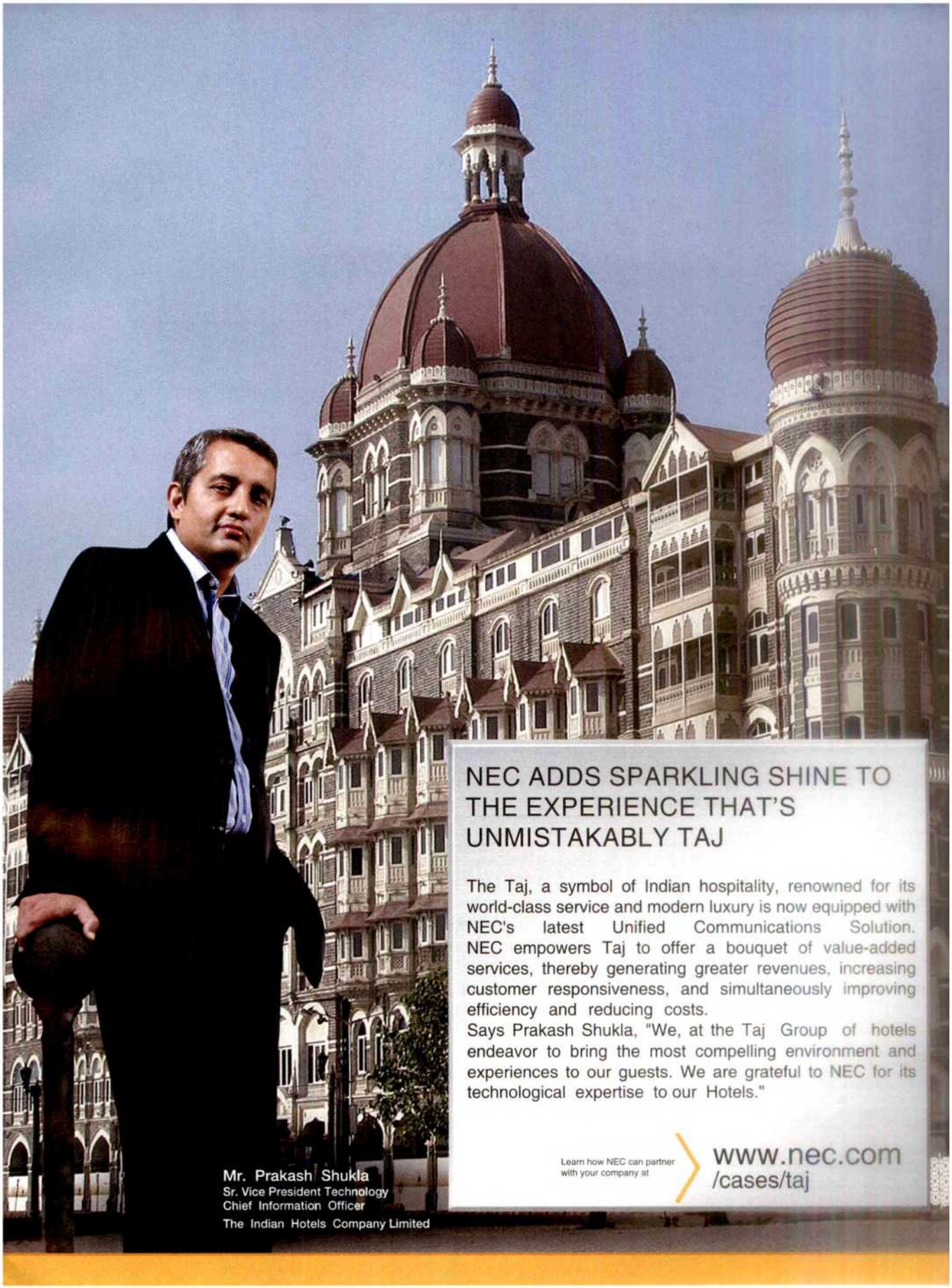
When you are the country's second-largest cement maker, you may feel compelled to make up for the damage to the environment. That is what Ambuja Cements has been doing. The initiatives of its community development arm, Ambuja Cement Foundation, include livelihood programmes, healthcare, education, infrastructure, and women's empowerment. They span 770 villages in 11 states, and a population of more than 2 million.

"We start in the immediate vicinity of our plants, and then extend over a 100-kilometre radius," says Pearl Tiwari, Vice-President for Corporate Social Responsibility, or CSR. Chief Financial Officer Sanjiv Churiwala declined to talk to *BT* for this report, as he has been with the company for only three months, and the rating was based on the company's efforts in 2009/10. But the annual reports make it clear that Ambuja takes its CSR seriously. The foundation uses a social engagement scorecard to assess its initiatives. According to its 2010 annual report, scores in all locations ranged from 75 to 100 per cent.

The foundation is setting up panels consisting of representatives of the company, the foundation and the community. These panels will coordinate engagement with all stakeholders, promote sustainable development and ensure synergy between initiatives.

But there is a caveat: YES Bank studied the numbers for 2009 (the company follows the calendar year for its accounts). In that year, Ambuja spent more than ₹36 crore on CSR. In the following year, CSR spending shrank by 45 per cent to ₹20.7 crore. The company's total income and profit after tax grew by 4.2 per cent and 3.7 per cent respectively in 2010.

RAJIV BHUVA



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Balancing Act for Today's CFOs

It is not easy being a CFO. Between juggling the pressures of economic forecasts, high shareholder expectations, transparency and lumbering operating models, CFOs have a lot on their minds. The worldwide credit crunch and recession have forced CFOs to address two distinct challenges – managing short-term credit, cash and performance needs, in the face of receding pricing power, and effectively positioning and using assets with an eye on post-recession growth.

CFOs, apart from being efficient operators of their finance business, stewards who manage to preserve value, catalysts for changes that drive new efficiencies, and strategists in the post-recession environment, have to be prepared for major shifts and risks in the global economy.

Here are some key challenges and imperatives that global CFOs face today.

Regulatory challenges: With new regulations, businesses face lack of legal clarity, significant implementation costs, and compliance. They need to rationalise local Generally Accepted Accounting Principles and reporting capabilities across countries, and to consolidate IFRS or international financial reporting standards into a Centre of Excellence to improve the quality and consistency of financial reporting.

Refining the operating model: Globally, CFOs may act alike in how they manage issues of cash and pricing, but they cannot rely on over-the-counter operating models for their finance function. This challenge of building the right model that consists of an optimal mix of services based on cost, location, in-house staffing, and outsourcing, can make or break a CFO.

Financial risk management: Recent economic events and their impact are driving boards and executives to focus on their organisation's approach towards risk management. This necessitates the integration of key risk indicators into an organisational performance management systen able responding to risk.

Prioritising capital investment sounds easy, yet many finance or tions struggle with how to effectivel tify, fund, implement and measure sults of investments that lead to in shareholder value.

A value-based approach is need translates both hard and soft benef a common shareholder value meas makes it easier to compare proje thus facilitates difficult trade-off dec

Cash is king: Although cash is kin getting an organisation-wide buy-i value is a formidable challenge. provement in the cash conversion c duces working capital and enables nies to link management incentives flow management.

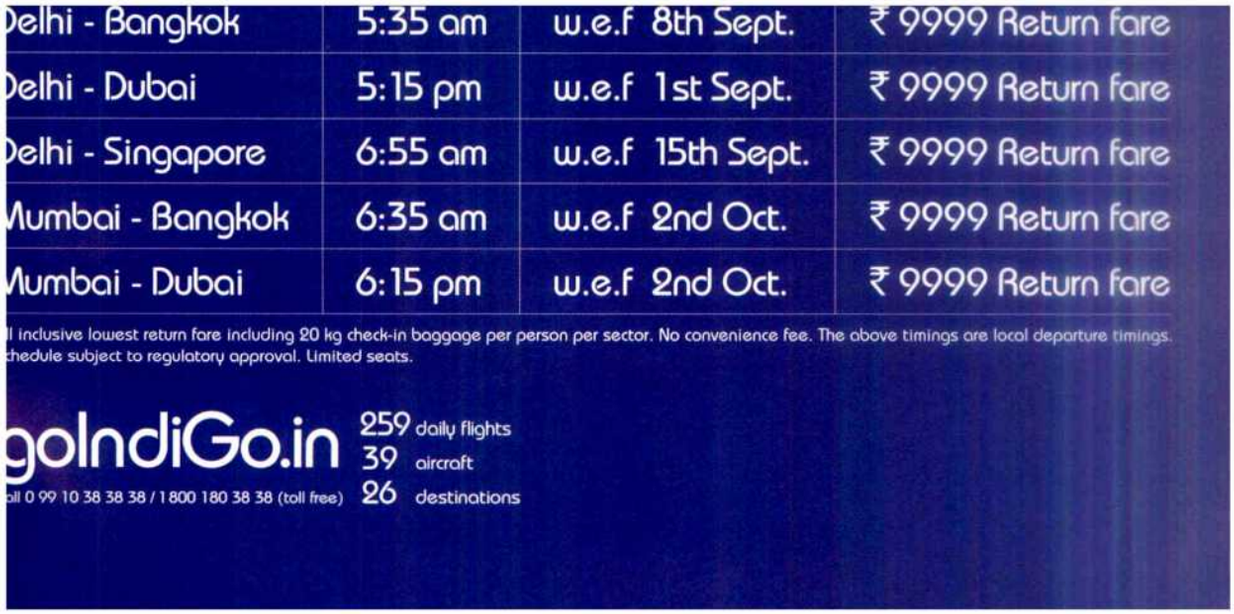
Financial reporting: Compani challenges such as risk of restateme mand for increased transparency, ing accounting policies and regu mergers and acquisitions leading t plex operating models, insufficient I structure, and manual controls.

Managing taxes: With frequent leg changes from more directions tha before, and with up to 50 per cent c vulnerable to absorption by taxati planning has never been more impc

As CFOs respond to and manag challenges, they must remain co of how to grow and refine their organisation so that it delivers ma value to its business partners. Main and strengthening the relationshi finance has across the enterprise w critical skill set in grooming CFOs f future career paths, whether prepa a transition to CEO or for increased sibilities in a global organisation. ◆

The views expressed here are the p opinions of the authors.

Steven Ehrenhalt (picture, above) is a senior partner at Deloitte Consulting LLP (USA). His co-authors are Sachin Sondhi, a senior director, and Sameer Wadhwa, a director, at Deloitte Touche Tohmatsu India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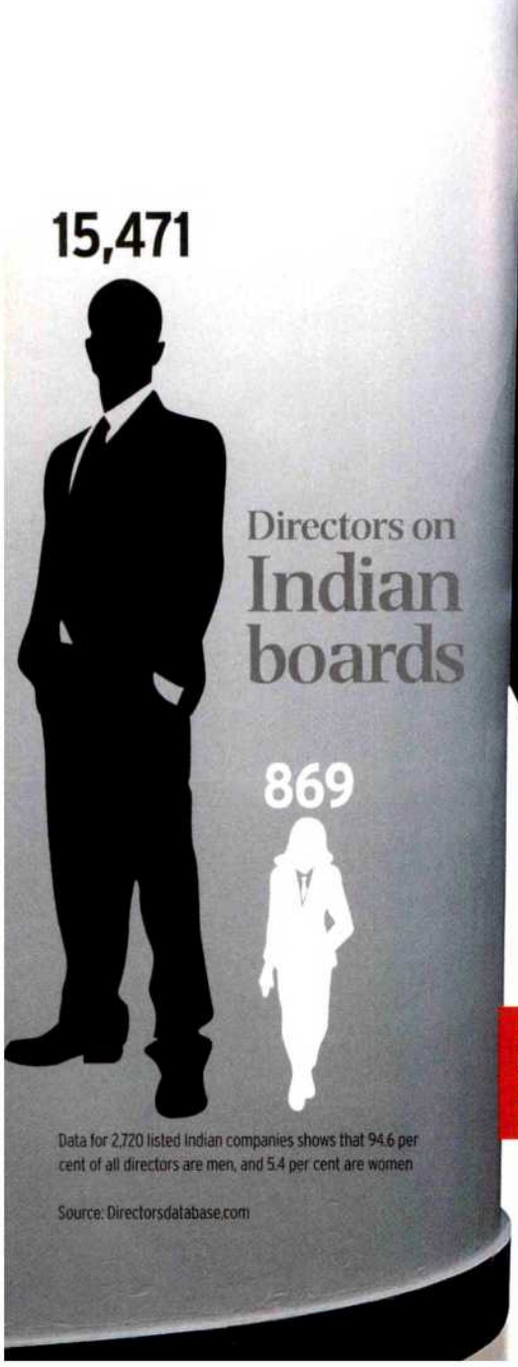
The Numbers Just Don't Add Up

If women have what it takes to be successful CFOs, why aren't there more of them in big companies? By ANAND ADHIKARI



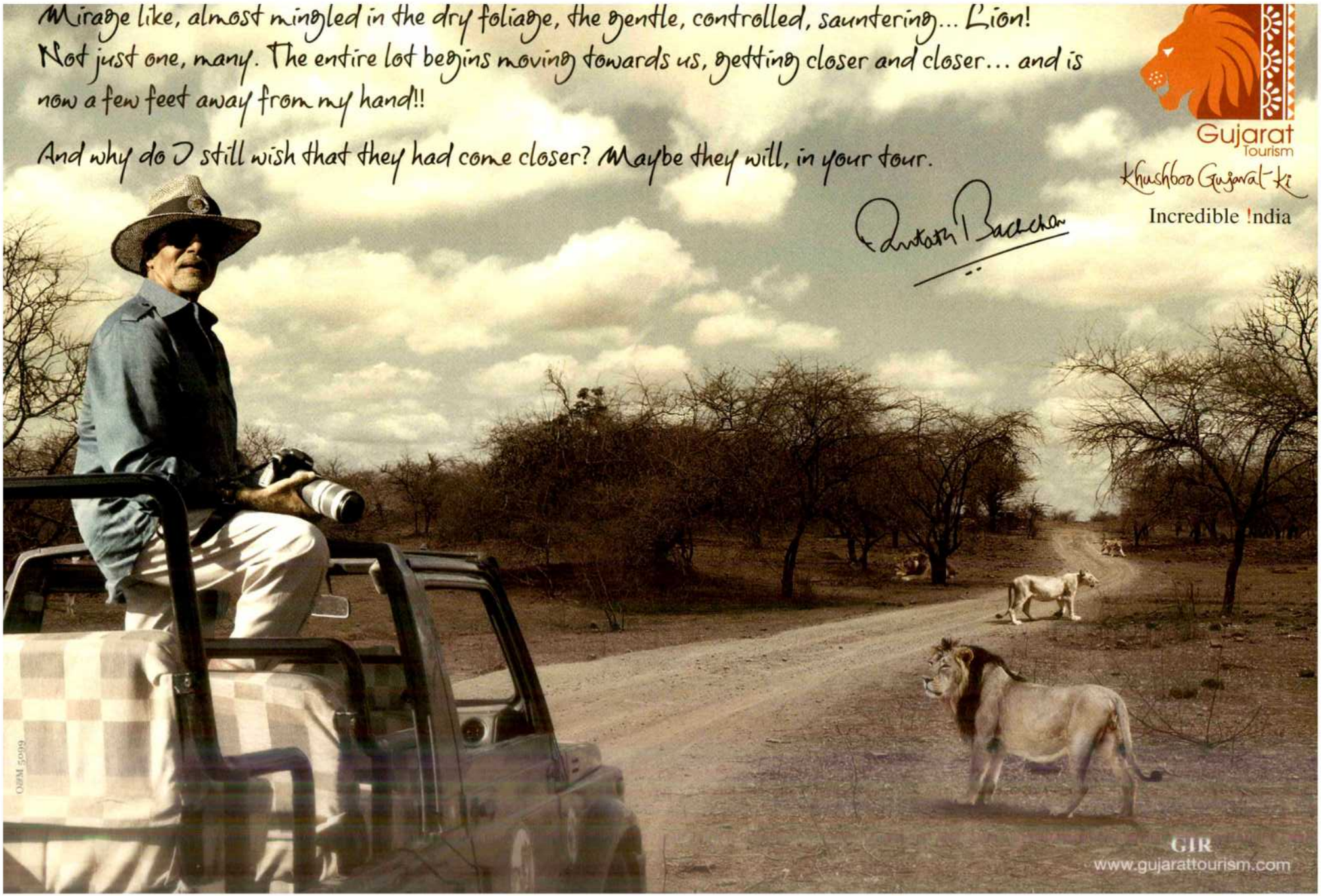
UMESH GOSWAMI

Asked why there are few women chief financial officers, or CFOs, in India, the CFO of a large Mumbai-based conglomerate says: "They are rising to middle-management levels now. They started late." He adds with a smile: "In terms of patience and the right temperament, they have the edge on men." His counterpart at an engineering company says women have the advantage of good negotiation skills. "That helps in investor relations and banking relationships," he adds.

So if women have what it takes to be successful CFOs, why aren't more of them in the C-suite? A survey of CFOs by YES Bank and *Business Today* brought up only one woman's name: Sangeeta Gulati of Educomp Solutions, a mid-sized education company. She won in the wealth creation category for companies with a turnover of less than Rs 2,000 crore in 2009/10. Not a single woman figured among the nominees from big companies.

Some women have made it to the corner office in the male-dominated world of finance – Chanda Kochhar, Naina Lal Kidwai and Shikha

"Many women have no female role models. Many go through phases when they want to chuck it all"
Vibha Padalkar, CFO, HDFC Standard Life


Mirage like, almost mingled in the dry foliage, the gentle, controlled, sauntering... Lion!
Not just one, many. The entire lot begins moving towards us, getting closer and closer... and is now a few feet away from my hand!!
And why do I still wish that they had come closer? Maybe they will, in your tour.
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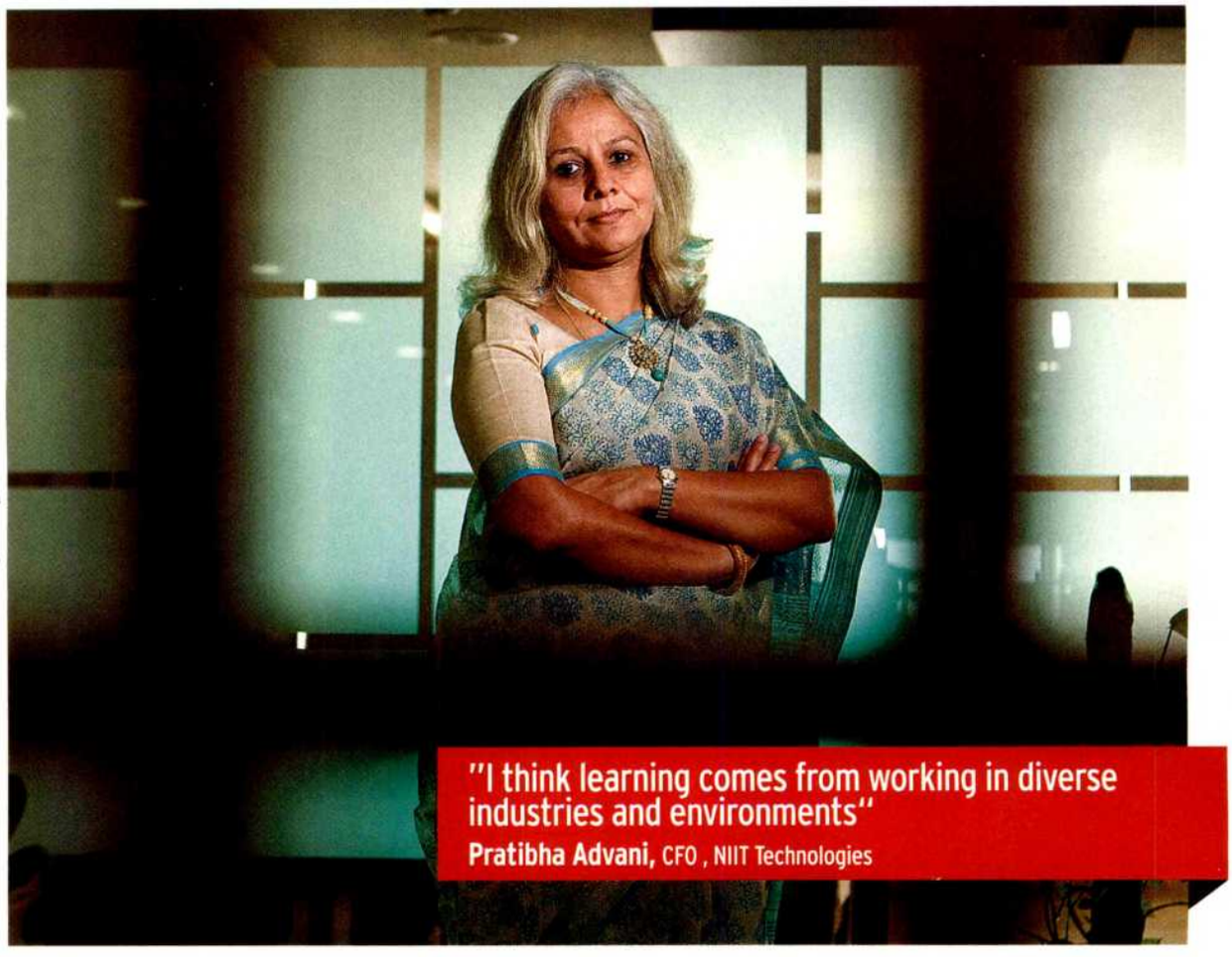

SAPTARSHI BISWAS/www.indiatodayimages.com

Sharma are well known examples. But it is hard to come up with the names of women CFOs in big conglomerates such as the Tata or Mahindra groups. "Those who get into top business schools have their sights set on the CEO's job," says a woman CFO. Since CA is the minimum qualification needed to be a CFO, Gulati says another reason may be that many women CAs set up their own practice or join the family firm.

According to Purvi Sheth, CEO, Shilputsi Consultants, the number of women in CFO roles is lower than in other functions, because women in finance generally gravitate towards consulting firms or specialised areas such as M&A.

The paucity of women CFOs cannot be just a supply-side issue, because the graduates of professional organisations such as the Institute of Chartered Accountants of India (ICAI) do include women. Almost 40 per cent of students who qualify for CA courses are women. "Many have no female role models," says Vibha Padalkar, CFO at HDFC Life, whose mother was an IAS officer.

"I think it's a matter of taking up leadership positions that somehow get constrained by family pressures," explains Shobana N.S., who rose to become CFO of Take Solutions, a small IT consulting and software firm, in May last year.

Rupa Vora, CFO of IDFC Private Equity, says women get carried away by family responsibilities. Padalkar, who studied in the UK and worked with Colgate Palmolive and outsourcing firm WNS, says: "Women need to have the tenacity to stay in the race. Many go through phases when they want to chuck it all."

"Unlike men, we have the added burden of caring for the kids," says Vora, who completed her CA when she was 22, and at a time when women CAs were rare. But many women CFOs say that it is only a perception that women cannot find enough time for work because of family responsibilities.

"I don't think any CEO is comfortable having a woman as a CFO," quips a male CFO. "It's a gruelling job, requiring networking with bankers and long hours of work. Will they be able to take the stress?"

"It is more about working smart than working hard," says Vora. "If

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"It's about working smart, rather than working hard. If you build the right team, nobody has to work long hours"
Rupa Vora, CFO, IDFC Private Equity

NISHIKANT GAMRE/www.indiatodayimages.com

TOO FEW GLOBAL WOMEN CFOs

Only 2.4% of Fortune 500 corporations have women CFOs

Pat Yarrington
Chevron

Catherine Lesjak
HP

Ruth Porat
Morgan Stanley

Junko Nakagawa
Nomura Holdings

Carol B. Tome
Home Depot

Sabrina Simmons
Gap

Sue Carter
KBR

you build the right kind of team, nobody needs to work long hours."

Women avoid switching jobs and taking career risks, which slows their climb up the corporate ladder. "Learning comes from working in diverse environments," says Pratibha Advani, who took over as CFO of NIIT Technologies last September. She wanted to study design, but her father persuaded her to become a chartered accountant. "One thing leads to another, and I started enjoying it," says Advani, who honed her skills at ITC and Barclays. Vora says the right boss makes a big difference. "I was mentored well," she says.

All these successful women manage to balance work and family. "I think meditation and de-stressing is required," says Vora, who devotes much of her time at home to her daughter. Advani rises at 4.30 a.m. to walk and do yoga. Padalkar, who has a 12-year-old son, says: "You need your family's support. They're part of your success."

Venkat Iyer, a partner at executive search firm Aventus Partners, lists valuable traits of women professionals, including directness, integrity, commitment, carefulness, and risk-aversion. "Women have a natural aptitude to be CFOs," he says.

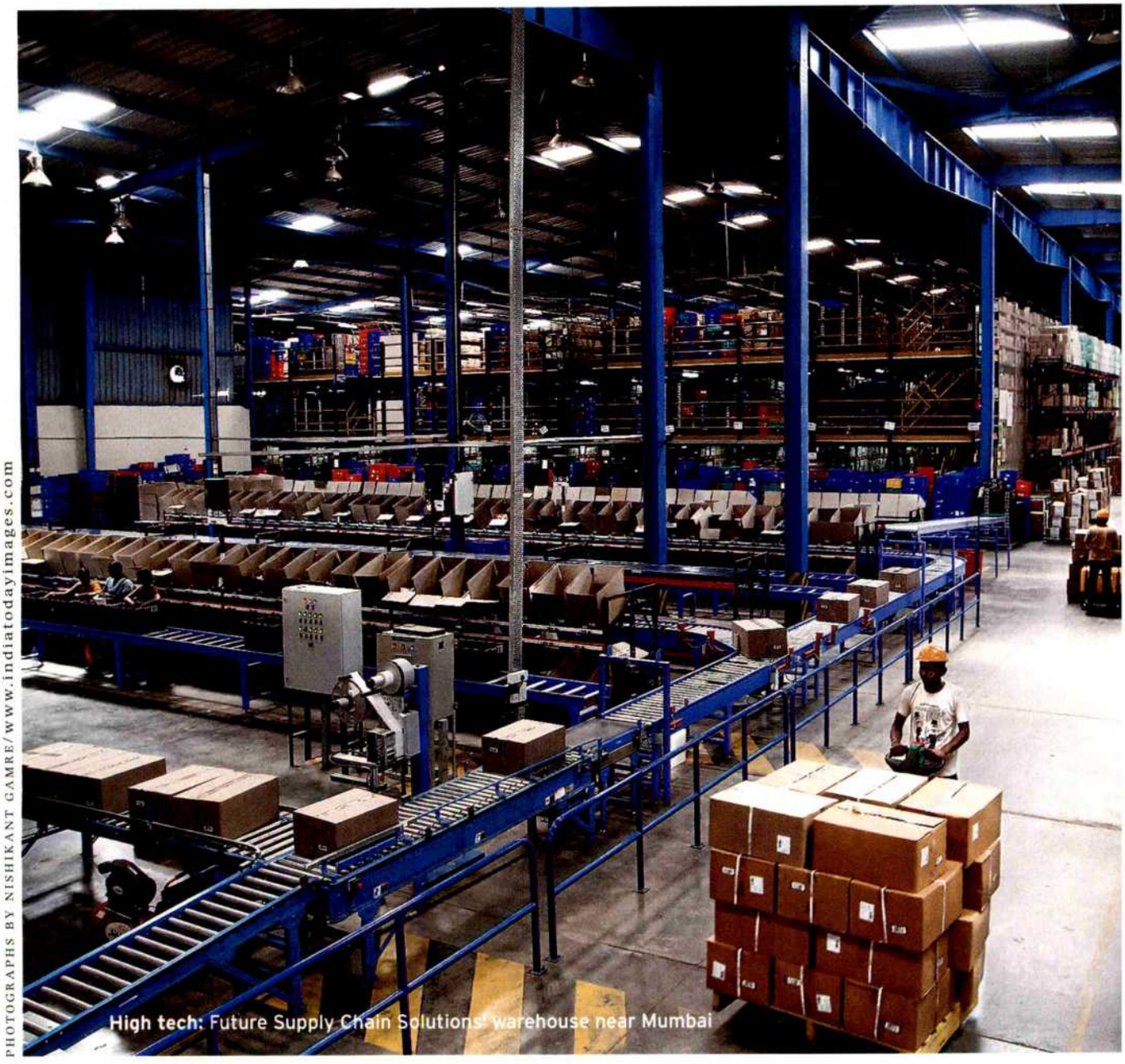
But once in, they face on-the-job challenges that any CFO must deal with. Shobana says that in today's world, risk management is evolving rapidly, and balancing growth and risk mitigation is a tough task. Advani says the challenges most CFOs grapple with today are the shrinking return on equity and capital employed, volatility in financial markets, and deploying surplus cash. For Vora, the priorities are investor relations, strategy planning and risk management. Padalkar keeps an eye on business decisions and budgets.

If this lot of women CFOs delivers on the goals they set, they could be role models for others. ◆

ADDITIONAL REPORTING BY SHAMNI PANDE

Big Wheels on the *Move*

Indian conglomerates wake up to the opportunity in logistics, which is estimated to be a $100 billion market. By SUMAN LAYAK and GEETANJALI SHUKLA



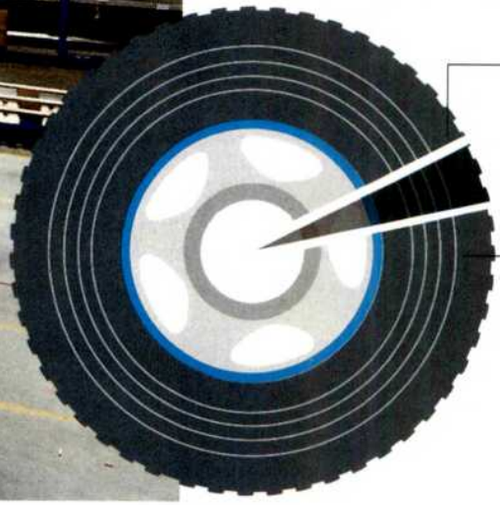
PHOTOGRAPHS BY NISHIKANT GAMRE/www.indiatodayimages.com

High tech: Future Supply Chain Solutions' warehouse near Mumbai

At the warehouse of Future Supply Chain Solutions in Bhiwandi, on the outskirts of Mumbai, a worker scans the label on a packet of shirts. Little red bulbs light up to tell her how many shirts to put into which box. Each box will go to a different store, and the lights guide her based on the orders received from the stores. This technology, called 'put-to-light sorting', is 99.9 per cent accurate, compared to manual sorting, where accuracy is as low as 65 per cent. It is also faster. In contrast to the dull, grimy images that the word 'warehouse' brings to mind, high-tech sorting piques the interest of all kinds of people, if the popularity of videos on sites such as YouTube is any indication.

"I want to make supply chain management sexy," says Anshuman Singh, Managing Director and CEO at Future Supply Chain Solutions, which is part of the Future Group. "It's not just about dusty trucks and dark warehouses. It's also about technology, efficiency and profits. In building our infrastructure, we realised that we were at least half a decade ahead of the competition. That's when we decided to hive off the arm into a separate company and offer services to others," he says.

Fragmented Market



Source: KPMG

Logistics in India is set to boom. Some insiders peg the market at $100 billion, or ₹4.5 trillion (1 trillion equals 100,000 crore), and see it growing at a cumulative annual rate of 25 per cent in the next three to four years. Others estimate that logistics is bigger than even the automotive sector, and accounts for 13 per cent of GDP. The industry is highly fragmented: the top 10 players earn just two per cent of revenues.

Sensing opportunity, at least three Indian conglomerates, besides the Future Group, have taken bold steps in the past three years. They are the Tatas, the Mahindras and TVS. Others, including Reliance Industries, have also made logistics forays, but none of them can match the above four for scale of operations and the amount of business they can draw from outside the group. A host of acquisitions has also taken place in the sector, with Indian firms such as TVS buying overseas, and foreign companies such as Hitachi Transport System and Nippon Express buying in India.

Private equity deals and entrepreneurship have picked up pace too. Gagan Seksaria, Associate Director for Transport and Logistics at consultancy KPMG, says: "Credible third-party players in logistics have emerged. Companies feel confident to hand over their logistics functions to them. So large groups that already had logistics arms now see the opportunity, and feel confident to spin them off as separate businesses."

That is what the Future Group did, as well as the Tatas. Ironically, the latter's largest logistics company, Drive India Enterprise Solutions, or DIESL, came out of a telecom venture. The company was originally created in 2003 to support Tata Teleservices. Ajay Chopra, CEO of DIESL, says it now earns ₹1,100 crore in revenues from its trading business, and ₹300 crore – more than 20 per cent – from logistics. DIESL has 4.5 million sq. ft. of warehousing space across the country, and hopes to grow the logis-

tics arm at 100 per cent annually.

"We now serve 85 per cent of the country's PIN codes," says Chopra. DIESL serves non-group companies such as Huawei and Mercedes-Benz India, besides group firms such as Voltas, Tata Motors (vehicle placement and delivery) and Croma. Around 45 per cent of its logistics business comes from non-Tata companies. Chopra says the company follows an asset-light strategy – it does not own warehouses or trucks, but works with third parties and focuses on managing them for clients.

The group has other logistics plays, too. TM International Logistics Ltd., or TMILL, a 51 per cent subsidiary of Tata Steel that is engaged in shipping, chartering and port management, has leased berths in Haldia Port. TKM Global Logistics is a subsidiary of TMILL. Recently, the Tatas appointed Juzar Mustan as the Country Head for TKM. Mustan was the CEO of AFL's logistics division when it was taken over by FedEx. Explaining why large conglomerates create logistics companies, Mustan says: "A factory looking to double production capacity may have a sudden need for 600 to 800 customised transport vehicles to move plant, machinery and equipment over a short span of two to three months." Think of the Tata Nano plant shifting from Singur to Sanand. "Such demand cannot be fulfilled by any one transport service provider, who would find it difficult to redeploy the vehicles after the spurt in demand was over. A logistics arm competing in the market would be better able to manage this by aggregating demand across several customers and verticals," he adds.

As with the Tatas, Mahindra & Mahindra's logistics play grew out of the group's needs – specifically its automobile business – 10 years ago. Today, Mahindra Logistics, with revenues of more than ₹1,000 crore for 2010/11, has two verticals: supply chain management and people transportation. The international division of Mahindra Logistics was started six months ago. The company is scouting for a partner in China and building its business in the US, two of India's largest trading partners, and also countries where M&M has a strong presence. But Mahindra Logistics' main focus is on leveraging its strengths at home.

The company's CEO, Pirojshaw Sarkari, says: "In the last five years, all the big names in the logistics business have come to India. Given the country's size and cultural diversity, they will need a local partner." He sees a tremendous boost for the sector from the planned rollout of the Goods and Services Tax, or GST, growth in organised retail, and the development of cold storage facilities, agricultural warehouses, and free trade warehouse zones. The company plans to set up four mega warehouses (500,000 sq. ft. each) and five small ones (150,000 sq. ft. each) across the country. It is among the top three logistics players in the auto segment. Currently, 60 to 65 per cent of its revenues come from the Mahindra Group.

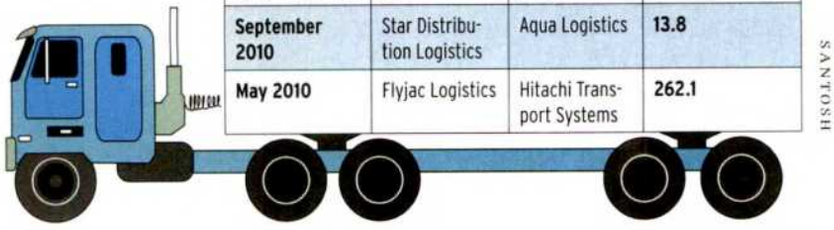
Others are venturing into foreign countries more eagerly than the Mahindras. TVS Logistics Services, for instance, has been relatively aggressive overseas. In January, it bought US-based logistics service provider Manufacturers Equipment & Supply Company, or Mesco. This came soon after its November 2010 purchase of UK-based logistics company Multipart Holdings. R. Dinesh, CEO of TVS Logistics, says: "We were clear from day one that we will not be just the group's logistics company. We saw opportunity in the logistics space and ventured into it." In 2008, Goldman Sachs invested ₹100 crore in TVS Logistics, which recorded a turnover of ₹1,300 crore in 2010/11 and has been growing at a compounded annual rate of 54 per cent for the past five years.

TVS Logistics, started in 1996, is the oldest of the four companies, while Future Supply Chain Solutions is the youngest. Singh insists that India is where the action is. "Consumption patterns in the developed world are more or less standardised, but they are still evolving in developing countries. Designing and managing supply chains in emerging economies is a far greater challenge, and we're the only company in the country that has the wherewithal to meet it," he says. Future

Boom Time

Some recent acquisitions and investments in logistics

Date	Company	Investor/ Acquirer	Amount (₹ crore)
April 2011	Continental Warehousing Corporation	Warburg Pincus India	450
April 2011	Transpole Group	Fidelity Growth Partners India	60.75
November 2010	Sical Logistics	Coffee Day Resorts	153.6
November 2010	AFL	FedEx	NA
September 2010	Star Distribution Logistics	Aqua Logistics	13.8
May 2010	Flyjac Logistics	Hitachi Transport Systems	262.1



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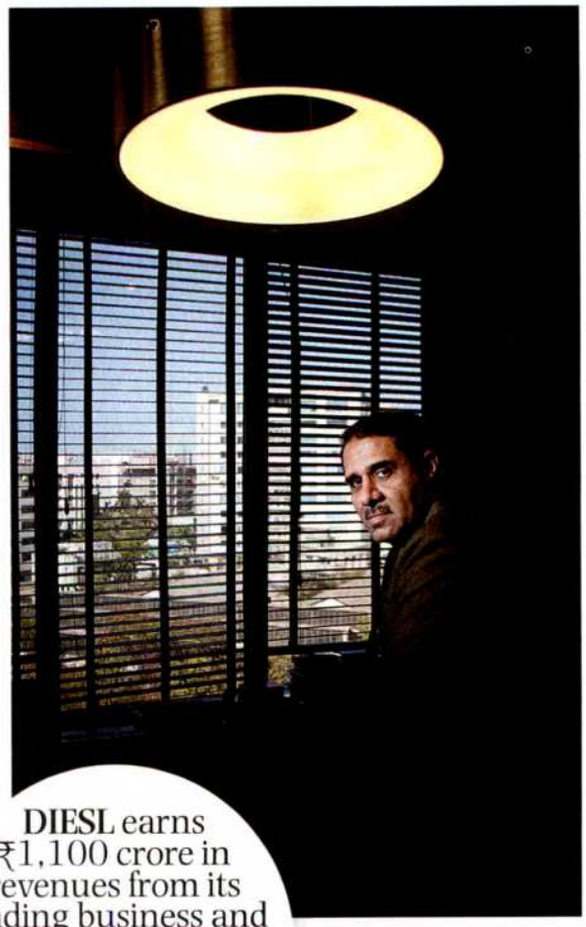
Supply Chain Solutions has six million sq. ft. of automated distribution centres across the country, and plans to add another nine million before the GST rollout. It aims to concentrate on organised distribution, which yields higher returns than transport, international logistics, and express services.

"Our four main consumer sectors are fashion, food, home and general merchandise. Each of them has its own unique needs that require 30 distinct supply chain solutions. Our understanding of supply chains has enabled us to rewrite the rules of third party logistics in India," says Singh. The company's current revenue is ₹300 crore, and is expected to rise to ₹700 crore by the end of 2011/12.

As with the other three companies, the bulk of Future Supply Chain Solutions' revenues comes from the parent company. But it plans to reduce this dependence from the current 70 per cent to 50 per cent by the end of 2011/12. In 2009, Hong Kong-based private equity firm Fung Capital picked up a 26 per cent stake in the company for $30 million.

"There's good reason for other conglomerates, like the A.V. Birla and Essar groups, to also hive off their logistics divisions," says KPMG's Seksaria. "All the four groups that have done it so far have been successful." He says the current opportunity looks so lucrative that it has lured even CEOs of large firms, like Sanjay Sinha of Mahindra Logistics, who quit in late 2010 – along with 300 employees – to start Leeway Logistics. Mahesh Niruttan, who headed the Indian foray of Kuwait-based Agility Logistics, quit in April 2011, and many in the industry say he too is about to turn entrepreneur.

Video clip at www.businesstoday.in/logistics



DIESL earns ₹1,100 crore in revenues from its trading business and ₹300 crore – more than 20 per cent – from logistics

Ajay Chopra
CEO, DIESL

Besides lucre, logistics is also an attractive business because of the absence of fourth-party operators in India, where large conglomerates' logistics arms can play a role. When a company provides services such as complete transportation management, it is called a third-party operator, or 3PL, in logistics jargon. A 3PL player in the transportation management part of logistics engages transporters and offers consolidated services to the client. A 4PL player is one that engages more than one 3PL company – say, one to manage transportation, another to forward freight, and a third to handle customs or overseas logistics. So a 4PL service-provider can consolidate the services of various 3PL vendors. This is the space, for instance, that Mahindra Logistics says it occupies when it serves Mahindra Navistar Automotives and its other international customers.

The key to moving up the logistics value chain and becoming a 4PL player is technology. Future Supply Chain Solutions has automated nearly all aspects of its operations. All its trucks have a GPS/GPRS-enabled system so shipments can be tracked from pick-up to delivery. "This gives power to the customer, who can now track consignments in real time. But it also leaves us with no option but to operate efficiently," says Singh. Mahindra Logistics plans to invest $50 million in technology over the next five years. "An increasing number of customers wants less of inventory and more of just-in-time products," says Sarkari. "Technology will help us do that by improving predictability and transparency in the system." The sector is also likely to benefit substantially from GST, as it will enable companies to streamline operations by setting up warehousing hubs, rather than having warehouses in each state. ◆

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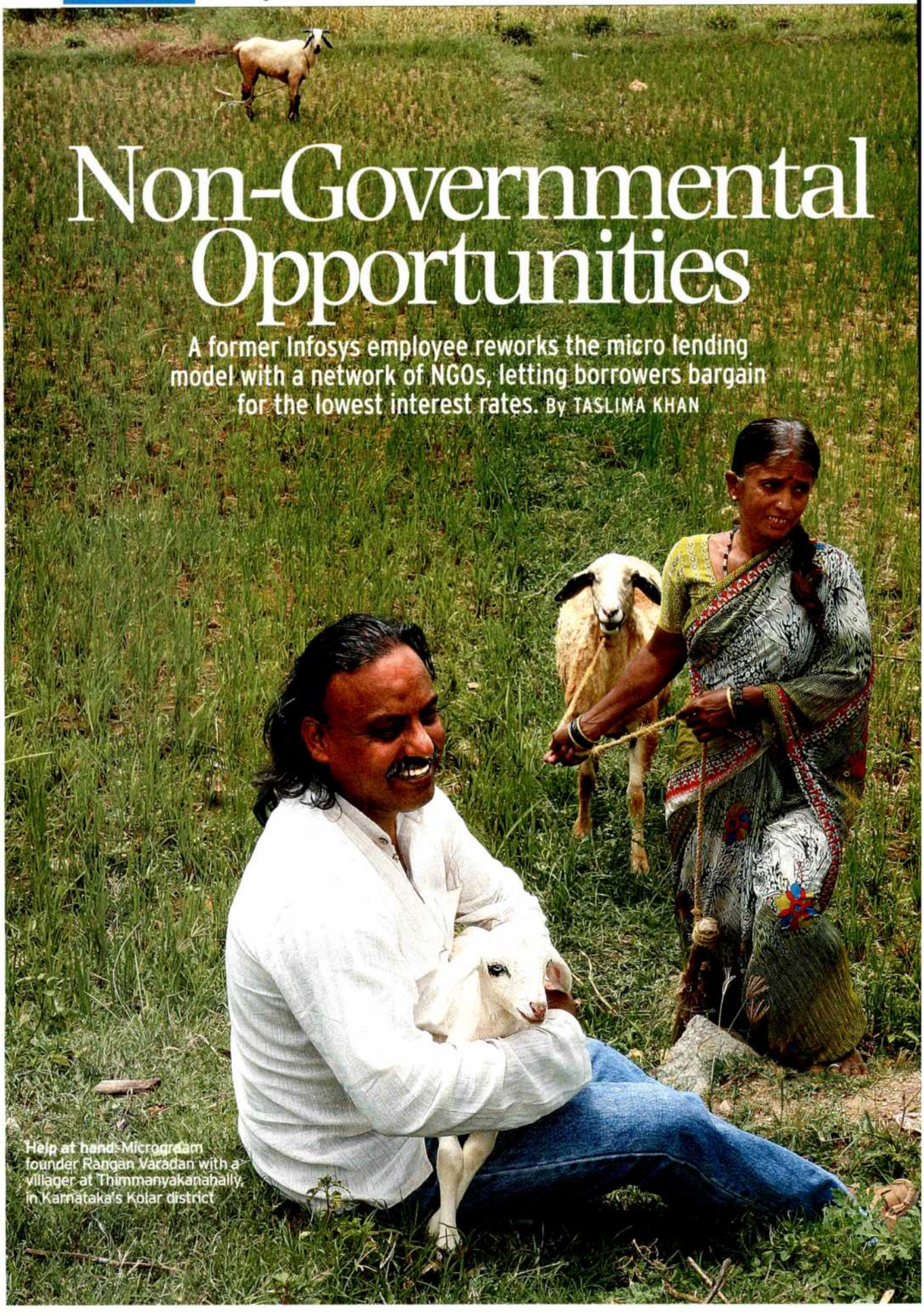
Non-Governmental Opportunities

A former Infosys employee reworks the micro lending model with a network of NGOs, letting borrowers bargain for the lowest interest rates. By TASLIMA KHAN



Help at hand: Microgram founder Rangan Varadan with a villager at Thimmanyakanahally, in Karnataka's Kolar district

It's an MFI. It's an NGO. No, it's Micrograam. It enables poor villagers to get credit, but it is not a microfinance institution. It works closely with non-governmental organisations but is, in fact, a private company. Micrograam, set up in February 2010 by Rangan Varadan, a former head of banking and capital market verticals at Infosys, has devised an innovative means of extending credit to the poor by creating a portal that brings investors and borrowers together, allowing them to work out their own deals.

Micrograam's initiative has been a hit: in just 16 months it has found 270 investors and helped disburse loans of around ₹87 lakh to 563 borrowers. The timing has helped too, since the microcredit sector is currently in crisis, and loans for the poor have dried up. Banks were always chary of providing such loans – and remain so. Says Peter Rex Charly of New Life, a Tamil Nadu based NGO which, among other services, helps villagers secure loans up to a maximum of ₹15,000 to set up self-sustaining businesses: "Banks want references from us but they will not bear even our operating costs. And if any borrower defaults, we are blamed." New Life has since given up on banks and works entirely through Micrograam.

More importantly, MFIs are in a bind and have drastically curtailed their lending. Following a spate of suicides by farmers in Andhra Pradesh last year, some of which were attributed to their harassment by MFIs – excessively high interest rates, strong arm methods of debt collection – the state government in October 2010 passed a stringent law regulating MFI activities. The Reserve Bank of India too followed suit by setting up a committee under senior official Y.H. Malegam to scrutinise MFI functioning; the committee's recommendations, made in January this year – which broadly follow the stipulations of the Andhra Pradesh law – have been accepted.

Into this bleak landscape stepped Varadan and his colleague Sekhar Sarukkai, a serial entrepreneur formerly based in Silicon Valley. "It was the unsustainable relationship between the institutions and the customers that led to the current crisis," says Varadan. His alternative? Seek funds not from banks but from well placed professionals and high net worth individuals or HNIs, who care about inclusive growth. Unlike banks, such people can be flexible with interest rates, as well as the loan periods. Simultaneously, avoid the expenses MFIs incur on setting up offices, engaging business development and collection agents – due to which they are compelled to charge high interest rates – and instead use NGOs working among the poor to zero in on potential borrowers.

Restricting its activities to Tamil Nadu and Karnataka, the Bangalore-based Micrograam has so far roped in 33 NGOs which identify borrowers. It puts up a list of prospective borrowers on its portal, along with each one's profile, the amount he needs and the maximum interest he can afford. Potential investors in turn – Varadan and Sarukkai already have employees of Infosys, ITC, TVS and Nagarjuna Constructions checking their portal – put up the minimum interest rates they are prepared to offer. The bargaining then begins; the time taken to conclude the deal usually depending on how long the borrower can hold out for the lowest bid.

Most deals at Micrograam are sealed

"Banks want references from us, but will not bear even our operating costs. Also, we are blamed for defaults"

PETER REX CHARLY, Head, New Life, an NGO

Helping Hand

Loans Facilitated By Micrograam

AVERAGE TICKET SIZE OF THE LOANS
₹10,000

AVERAGE RECOVERY PERIOD
12 months

REPAYMENT FREQUENCY
Varies from case to case. For agriculture loans, repayment begins after harvest; for education loans, the borrower starts paying back from the second month after getting a job

DEEPAK G. PAWAR/www.indiatodayimages.com

at annual interest rates of 15 to 18 per cent. (In comparison, the Andhra Pradesh law caps the interest MFIs can charge at 24 per cent, which shows many were charging even more.) Of the interest paid, Micrograam keeps 1.5 per cent, the NGO involved gets six to seven per cent, while the rest goes to the investor. Not only the selection of beneficiaries, but also the disbursal of loans as well as the collection of repayment instalments, is entirely the NGOs' responsibility, not Micrograam's.

Some of the better known NGOs Micrograam has tied up with include Karnataka's AHIMSA, or the Association for Human Integrated Massive Social Action, which helps farmers choose the right crops to grow. Micrograam's initiative now helps these farmers buy the seeds and other inputs they need for these crops. There is also Junglescapes, based in Karnataka's Bandipur district, which identified two village entrepreneurs who now make smokeless *chulhas* thanks to the loan Micrograam helped them get.

If the loan is taken for a service the NGO itself provides, it does not take a commission, bringing down the interest rate drastically. Perhaps the biggest NGO Micrograam is working with is Vidya Poshak, which has centres in 18 Karnataka districts and conducts three-month courses to equip graduate youth from among the poor with the skills to take up backoffice jobs. Its students have been placed in jobs with Infosys, Tata Consultancy Services, Wipro and other such firms. The course costs ₹15,000 which few poor families can afford. But now, in conjunction with Micrograam, Vidya Poshak has been arranging loans for the students at a mere eight per cent interest. Says N. Venkatesh, Vice President at Vidya Poshak, "Loans from Micrograam are easy and can be repaid by students after they get a job. Demand for the course has shot up."

Given the upheaval in the MFI sector, Micrograam, too, has come under RBI scrutiny. But Varadan says he has been able to convince the officials of his good intentions. "People from RBI have visited us twice," he says. "We convinced them ours was a transparent lending model."

Again, there are several obvious risks associated with the Micrograam model. For one, dubious NGOs abound. Varadan says he is extremely careful while choosing NGOs to work with. He is just as careful in keeping track of funds. "All disbursals are from bank account, by cheque so that the fund flow can always be traced," he says.

Is the likelihood of default by poor borrowers another risk? Varadan says Micrograam's repayment record since last September has been a staggering 98.2 per cent – hardly anyone has defaulted. What if he does not find enough investors? Varadan dismisses the possibility "We do not want charity. We are looking for individuals who believe in social lending, not charity," he says. Around 80 per cent of his investors so far have been wealthy individuals rather than company employees, but Varadan is not fazed. The fact that Micrograam is not yet profitable does not worry him either. "Once we gather scale, we will sustain," he says. "This is how this model is meant to be." He has extremely ambitious targets. "We intend to get 16,000 investors and help disburse loans of ₹25 crore in the next two years," he says.

Despite various measures for financial inclusion by the Centre and the RBI, about 40 per cent of rural households do not have deposit accounts. Most of them still depend on MFIs and informal sources like money lenders for their credit needs. With the MFI sector in a state of flux, newer models like those of Micrograam may be one of the ways to go. ◆

"We intend to get 16,000 investors and help disburse loans of ₹25 crore in the next two years"

RANGAN VARADAN, Head, Micrograam

Getting It Right

How the Model Functions

Micrograam selects NGOs and approves their procedure of pitching credit-worthy borrowers

NGOs pinpoint prospective borrowers after checking for credit-worthiness

Borrower profile and financial requirement are put up on Micrograam's portal

Investors check the profiles and respond with the interest rates they are prepared to offer. Borrowers choose the lowest

Interest rates are never allowed to exceed 15 to 18 per cent per annum

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A Riot of Colors

The exit of the CEO who led it to record growth is not deterring Viacom18's plans for its next phase of growth. By ANUSHA SUBRAMANIAN

When the high profile CEO of television channel Colors, Rajesh Kamat, resigned in April this year, many thought his departure would slow down the channel's unbridled growth till then. Kamat had built Colors from scratch, catapulting it to a close Number Two – behind STAR Plus – in the Hindi general entertainment channel, or GEC, category; on occasional weeks even overtaking STAR. It first reached top position within nine months of its launch in 2008.

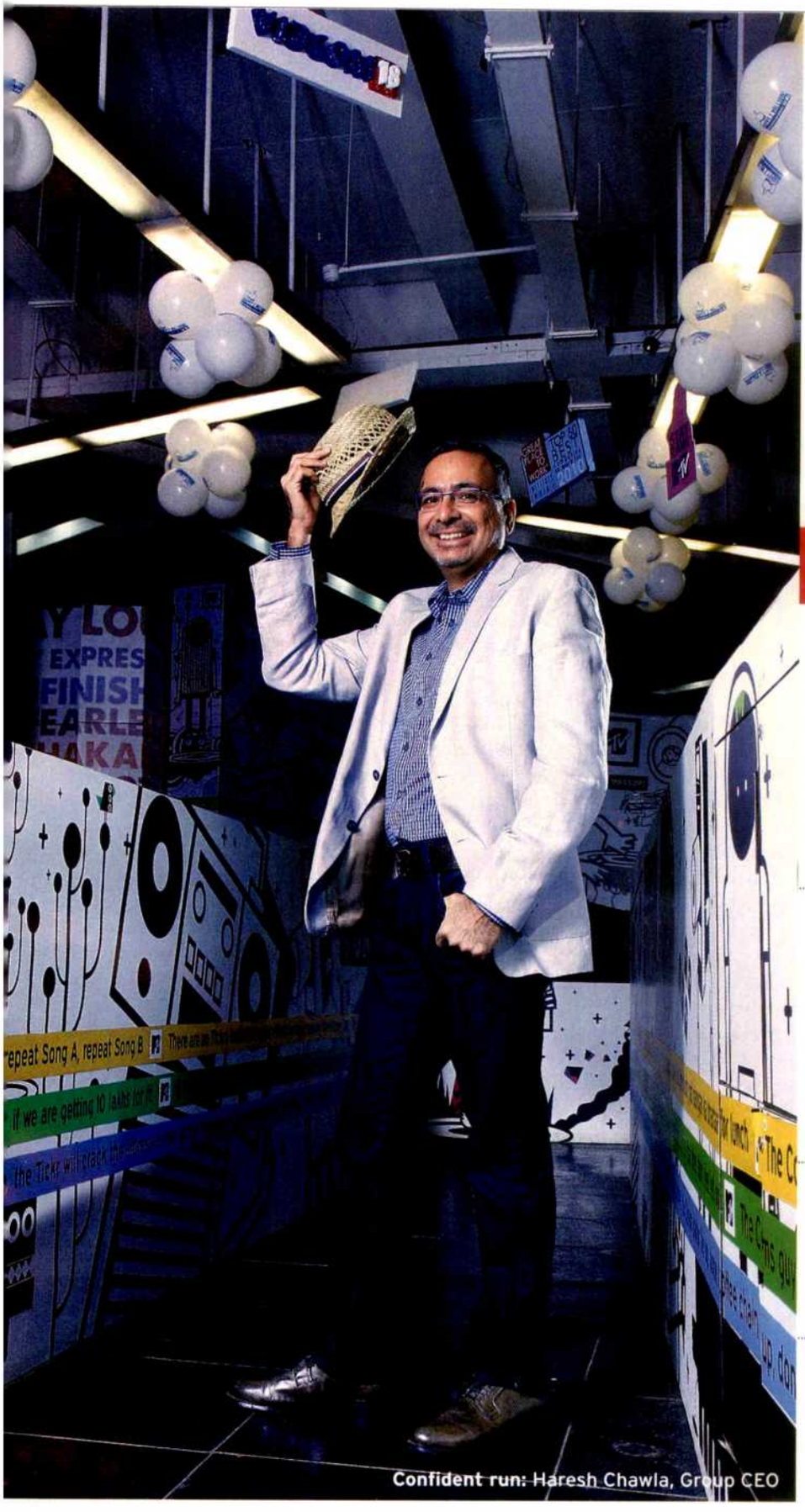
But Haresh Chawla, 43, CEO of the parent group, moved fast. Within a fortnight he had roped in Raj Nayak, a former CEO of NDTV Media, to fill the void.

Despite Kamat's recent departure, the mood at Viacom18's headquarters in Parel, central Mumbai, is distinctly celebratory. Chawla points out that Viacom18 has met both its growth and financial performance targets. In three years, it has recorded 11-fold growth in revenues, with each of its businesses at Number One or a close second in their markets. "We are now a leading multi-platform entertainment player," says Chawla. Viacom18's interests now span four leading TV channels: MTV, VH1, Nick and Colors; a pan-India distribution set-up called Sun18 Media; the MTV youth portal; a merchandise business that has more than 50 categories of products; and a film company, Viacom18 Motion Pictures, that delivered *Tanu Weds Manu*, one of the biggest hits of 2011 yet.

Viacom18's success is a critical part of the nearly two-decade growth story of Raghav Bahl's Network18 Group. Viacom18, started in 2007 as a 50:50 venture with global media giant Viacom Inc., has already crossed ₹1,000 crore in revenues. Network18's share equals more than a third of its total revenues otherwise. And Colors, begun in 2008, has changed the dynamics of the television game, says Rajesh Jain, National Industry Director at audit and consulting firm KPMG. In 2006/2007 Viacom18's turnover was ₹110 crore; in 2010/11, it recorded a profit after tax of ₹85 crore on a total income of ₹1,104 crore– of which 79 per cent came from the Colors channel.

Yet challenges remain. Viacom18's costs are steep. At ₹985 crore for 2010/11, its costs were 89 per cent of its revenues. At Zee Entertainment Enterprise, costs in the same year were 59.3 per cent of ₹1,279 crore revenues. Analysts say this is a concern even if Viacom18 is profitable. "Colors has been doing some sensible things to gain market share. But for how long can you keep burning cash," asks Kalpesh Makwana, an equity research analyst at Quant Capital.

Some of this overhang comes from the cost of content and carriage fees. "There has been good execution on the ground – a good scale of ad sales, but costs are high and the business is marginally breaking even," says Vivek Couto, Executive Director, Media Partners Asia, a Hong Kong-based media tracking firm. "As of now, subscription revenues are very small. Zee and STAR have better operating leverage and a long-term reservoir of funding."



Confident run: Haresh Chawla, Group CEO

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A debt-burdened group...

Network 18 Media & Investments

The net debt of just the three listed companies adds up to ₹1,988 crore, against their total revenues of ₹1,484 crore in the year to March 31, 2011

... sees future in unit Viacom18...

Viacom18 is a 50:50 venture between Network18 and Viacom of US

Its share of Viacom18's revenues is ₹552 crore, while group revenue is ₹1,484 crore

... but venture has very high costs...

Viacom18's costs account for 89% of its revenues, against 59% for Zee Entertainment

... with most of its income from one channel, Colors

Colors accounts for 79% of Viacom18's total revenues

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Interview Philippe Dauman, President and CEO, Viacom Inc.

"Huge Expansion Ahead"

PHILIPPE DAUMAN, *the 57-year-old global chief of the media conglomerate, discusses the joint venture with Viacom18 in an email interview with* **ANUSHA SUBRAMANIAN.** *Edited excerpts:*

On reasons for Viacom18's rapid growth: Viacom18 brings together two world-class operations: Viacom and Network18. Viacom brings tremendous capability in creating strong global brands and Network18 is an outstanding partner with local expertise and a focus on excellence. Our joint venture's success reflects a very strong management team, powerful brands and great relationships with distributors and advertisers. One of the keys to our success with Colors has been brand differentiation. It embodies a combination of emotion and variety.

On the importance of Viacom's India operations: India is a key strategic market for us. It has a strong economy with a large, youthful and media-savvy population. The expansion of the TV marketplace is creating enormous opportunity. We intend to capture more of this audience.

On the comparison between India to China: Both countries are poised for continued strong growth. Today, India has a more receptive regulatory environment and a vibrant creative culture. China is a more complex market that is highly regulated.

On the likelihood of Viacom expanding in India: We see huge expansion ahead – both in our existing businesses and in additional brands and channels. We are extremely pleased with our progress to date, including the phenomenal success of Colors. We have been successful in exporting Colors, as well as our other Indian channels to other countries.

It does not help that, hit hard by the economic downturn of 2008/09, Viacom18's parent, Network18, is also deep in debt. Details of borrowings of the entire group are not readily available but the debt at its three listed companies currently stands at around ₹1,988 crore. When juxtaposed against group revenues of some ₹1,484 crore, that makes for a squeeze. The group's promoters, led by Raghav Bahl, have pledged big chunks in three group companies – Network18 Media & Investments, TV18 and IBN18 – against loans. While there are gems such as Colors and CNBC TV18 in its portfolio, many of the group's non-broadcasting ventures are still incurring losses.

But with India's television market on a roll, growing at 16 per cent and expected to touch ₹63,000 crore by 2015, some industry watchers are less pessimistic. "The scale up of Viacom18 has been ahead of expectations," says Nikhil Vora, Managing Director, IDFC Securities.

Are competitors STAR and Zee feeling the Colors heat? For now, no. "Television ratings are a weekly game. We are not threatened by competition as we are a profitable company and our costs are low," says Punit Goenka, CEO and Managing Director of Zee Entertainment.

Still, there is no denying that it was the intense competition from Colors that prompted STAR Plus to re-launch with a fresh look and new programming last year. "The re-launch we undertook has put us back in the saddle. We are 35 to 40 per cent ahead of any other channel in the Hindi GEC space," says Uday Shankar, CEO of STAR India. Zee has rebranded itself too.

And Viacom18, meanwhile, is readying for a fresh assault. Colors will soon increase its original programming hours from the current 23 hours a week to approximately 26 or 28 hours, to compete better with STAR and Zee, which have 38 and 32 hours respectively.

In the next three years, Viacom18 will also add to each of its verticals of mass entertainment, specialised channels, consumer products, films business, digital offerings, and the distribution network. A Hindi movie channel is planned by the end of the year, as well as expansion into the regional space. But Colors will remain the bread and butter of Viacom18.

Former CEO Kamat has joined ex-News Corp executive Peter Chernin's CA Media as its India CEO and will invest in media ventures here. All eyes are now on new Colors CEO Raj Nayak, who the channel said was not available for interviews yet.

Network18 wants to ride the momentum Colors has given it. "We entered late," says Chawla, pointing out that rival channels took up to 10 years to get to the size Colors is at today. Colors achieved it in two. "We will continue to find the way ahead as quickly as possible," he adds. That traction will be as important for Network18 as for Viacom18. ◆

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MONEY

CREDIT GROWTH HAS MODERATED FROM 23.3% IN JANUARY THIS YEAR TO 21.9% IN APRIL

Riding the Rate Bubble

The banking sector may not be the hottest spot at present, but watch out for cues on when to invest in it. By TANVI VARMA

The banking sector has been on a roll for the past couple of years, throwing up huge opportunities for wealth creation. Sample this: if you had invested ₹1 lakh in the banking index in May 2007, you would have earned around ₹1.9 lakh today at a compounded annual growth rate, or CAGR, of 18 per cent. In comparison, if you had invested the same amount in the Nifty index, you would have got ₹1.3 lakh at a CAGR of 7 per cent (see *Bank Indices Vs Nifty*).

As the Indian economy is doing well with over eight per cent growth rate, banks tend to be one of the biggest beneficiaries because of the demand for credit. Besides, market conditions are suitable for growing the loan book. In fact, after the slowdown in 2008 and 2009, the bank-

ing index delivered a return of 82 per cent (in the period between May 2009 and October 2010), compared to a return of 40 per cent delivered by the broader market.

"In 2009/2010, banking was the safest bet, as people had concerns about investing in sectors such as telecom, power, real estate, oil and gas," says Ajay Parmar, Head of Institutional Research, Emkay Global Financial Services.

This is also due to the strong credit quality of Indian banks, which made them resilient during the global crisis. During this period (May 2009 till October 2010), the returns delivered by the public sector banks, or PSBs, index were much stronger at 110 per cent. This can be attributed to the flight to safety away from other assets into PSB deposits along with healthy credit growth. Further, PSBs have large holdings in government securities and bonds with a longer maturity period, which have done well since the yield on the 10-year benchmark came down from 9.5 per cent to 5.5 per cent in March 2009.

Bumpy Road Ahead

Banking stocks, however, have been beaten down due to reduced credit offtake, pressure on yields, which is flowing into valuations causing downgrades in this sector. Since November 2010, these stocks have delivered a return of -19 per cent compared to -13 per cent for the Nifty. The PSB index has performed even worse with a return of -29 per cent. With the Reserve Bank of India, or RBI, raising its key policy rates by 250 basis points since March 2010, there has been an overall increase in the lending and deposit rates.

Although a bank can generate revenue in a number of ways, its main income is through interest on the money it lends. As interest rates rise, credit growth tends to slow down due to higher borrowing costs. In fact, credit growth has moderated from 23.3 per cent in January this year to 21.9 per cent in April. The deposit growth has inched up from 16 per cent in January to 17.9 per cent in April.

Despite this, some private sector banks' performance is not that bad. "Although the results declared by banks have been a mixed bag so far and there are pressures on margins for several banks, credit growth has remained strong," says Dipen Shah, Senior Vice President, Kotak Securities. ICICI Bank posted a strong loan growth at 19.4 per cent y/y and 4.7 per cent q/q, while margins improved from 2.6 per cent to 2.7 per cent partly due to premature breaking of fixed deposits. Banks such as HDFC Bank and Axis Bank have been able to grow profits despite the high interest rate scenario, says Rajeev Thakkar, Chief Executive Officer, Parag Parikh Financial Advisory Services. Axis Bank posted a strong loan growth of 36 per cent year on year, and maintains a guidance of 25 per cent growth going forward. Thakkar maintains a buy on Axis Bank at the current price with a three-year perspective.

However, the biggest disappointment has stemmed from the public sector behemoth SBI, which declared a

TOP PICKS

ICICI Bank

CMP: ₹1,086, Target Price: 1,200

	4QFY11	4QFY10	Change Y/Y
Net Interest Income (₹Cr)	2,510	2,035	23%
PAT (₹Cr)	1,452	1,005	44%
NIM	2.7	2.6	0.1

Recommended by Emkay Global Financial Services, Kotak Securities

HDFC Bank

CMP: ₹2,388, Target Price: ₹2,450

	4QFY11	4QFY10	Change YoY
Net Interest Income (₹Cr)	2,840	2,351	21%
PAT (₹Cr)	1,115	837	33%
NIM	4.2	4.4	(0.2)

Recommended by Kotak Securities

Union Bank of India

CMP: ₹318, Target Price: ₹400

	4QFY11	4QFY10	Change YoY
Net Interest Income (₹Cr)	1,716	1,396	23%
PAT (₹Cr)	597	593	0.7%
NIM	2.0	2.6	0.6

Recommended by Kotak Securities

Punjab National Bank

CMP: ₹1,100, Target Price: ₹1,300

	4QFY11	4QFY10	Change Y/Y
Net Interest Income (₹Cr)	3,029	2,475	22%
PAT (₹Cr)	1,200	1,135	6%
NIM	3.9	4.0	(.1)

Recommended by IIFL, Avendus Securities

IndusInd Bank

CMP: ₹264, Target Price: ₹330

	4QFY11	4QFY10	Change Y/Y
Net Interest Income (₹Cr)	388	272	42%
PAT (₹Cr)	171	97	75%
NIM	3.5	3.2	0.3

Recommended by Avendus Securities

Axis Bank

CMP- ₹1,278, Target Price: ₹1,813

	4QFY11	4QFY10	Change Y/Y
Net Interest Income (₹Cr)	1,701	1,460	16.5%
PAT (₹Cr)	1,020	764	33%
NIM	3.4	4.1	(.7)

Recommended by Avendus Securities, PPFAS

YES Bank

CMP-₹ 298, Target Price: ₹350

	4QFY11	4QFY10	Change Y/Y
Net Interest Income (₹Cr)	348	244	42%
PAT (₹Cr)	203	140	45%
NIM	2.8	3.2	(.4)

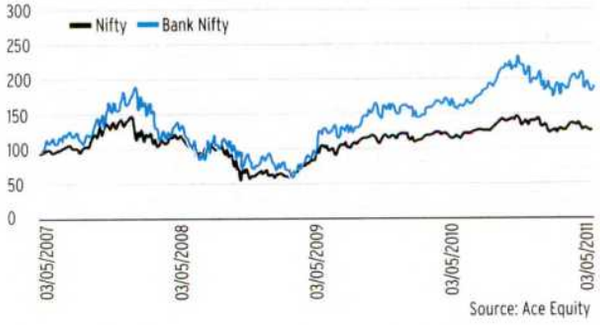
Recommended by Emkay Global, Espirito Santo Securities

Current market price (CMP), P/E and market capitalisation as on June 10.
Source: Ace Equity, brokerage house reports

99 per cent drop in profit for the quarter ended March 31, due to provisioning (an expense set aside as an allowance for bad loans) on teaser loans, providing for pension and gratuity shortfall and higher non-performing assets, or NPA, has shaken the markets. "The bank's Q4 net interest margin fell to 3.07 per cent in comparison to 3.61 per cent in the previous quarter. The bank's pension liability provision was much higher, which likely reduced the book value by about ₹125 per share," says Shah of Kotak. This could be a precursor for similar things happening in other banks, especially PSBs, which are saddled with the same issues.

Bank Indices vs Nifty

The banking index has been losing its edge since Nov 2010



Source: Ace Equity

According to Parmar of Emkay Securities, banks have been cautious about their growth and their aim is to maintain the net interest margin and quality of assets. Most banks have toned down their growth assumption for 2011/12 to 20 per cent in loan books compared to 25 to 27 per cent earlier. "Although spreads of banks have been quite stable since the last three quarters, this will unlikely to continue for long and that will affect their profit growth," says Anand Shanbhag, Executive Director and Head of Research, Avendus Securities.

In 2010 and early 2011, banks benefited largely from the lag in repricing of deposits, which resulted in the net interest margin expansion, or NIM. A majority of loans that banks offer effectively carry floating rates. Therefore, when the rates are rising, the floating interest rates are revised immediately. However, the average cost of deposits does not change that rapidly.

According to Thakkar, inflation and interest rates are likely to remain elevated for some time because of easy monetary and fiscal policies in developed countries. Also, supply side constraints and disruptions in commodities like oil are also contributing to the inflationary scenario.

Public Sector Banks Score Low

In its annual monetary policy, the RBI increased the provisioning on substandard assets from 10 per cent to 15 per cent, doubtful loans from 20 per cent to 25 per cent. It also asked the banks to provide 2 per cent on restructured loans. In this context, PSBs are negatively placed, as restructured loans form almost 5 per cent of their total loans. Private sector banks are better placed at less than one per cent.

According to a recent report by Espirito Santo Securities, restructured loans were as high as 6.5 per cent for Punjab National Bank and 4.5 per cent for SBI compared to 0.16 per cent for IndusInd Bank and less than 0.3 per cent for YES Bank and HDFC Bank. Shah of Kotak Securities says growth rates of private sector banks are expected to be higher than those of PSBs, because of their focus.

"Private sector banks will have lower NPAs and may face lower slippage on restructured books," he adds. RBI has also increased the savings bank deposit rate by 50 basis points. According to Espirito, this will increase the cost of deposits for large PSBs and private sector banks by 10 to 15 basis points and a one to five basis points impact on deposit costs of new-age banks like YES Bank and IndusInd Bank, because of their relatively low proportion of current account-savings account, or CASA, deposits (less than 10 per cent).

Watch Out For Underperformers

Parmar recommends selling stocks like Canara Bank due to its low CASA and rising NPA issues. He expects SBI and Union Bank to underperform considering the changing environment for these stocks. Shanbhag advises investors to refrain from investing in this sector right now. "One should ideally wait for next two months. By then, there will be more clarity on macroeconomic issues such as inflation, corporate results or any announcement from the regulator on further monetary policy tightening."

For an investment horizon of more than 12 months, Shanbhag recommends PSBs supported by their high-teens CAGR in earnings, even after adjusting forecasts for the likely rise in non-performing loan, or NPL, provisions and staff costs. For the long term, Shanbhag likes stocks such as PNB because of its high return on equity, and Bank of Baroda for its relatively low NPL ratios and higher return on equity.

Among the new private banks, top picks remain IndusInd Bank and Axis Bank, which are likely to perform well. ◆

Courtesy: *Money Today*

"Inflation figures and interest rates are likely to remain high for some time"

Rajeev Thakkar, Chief Executive Officer, Parag Parikh Financial Advisory Services

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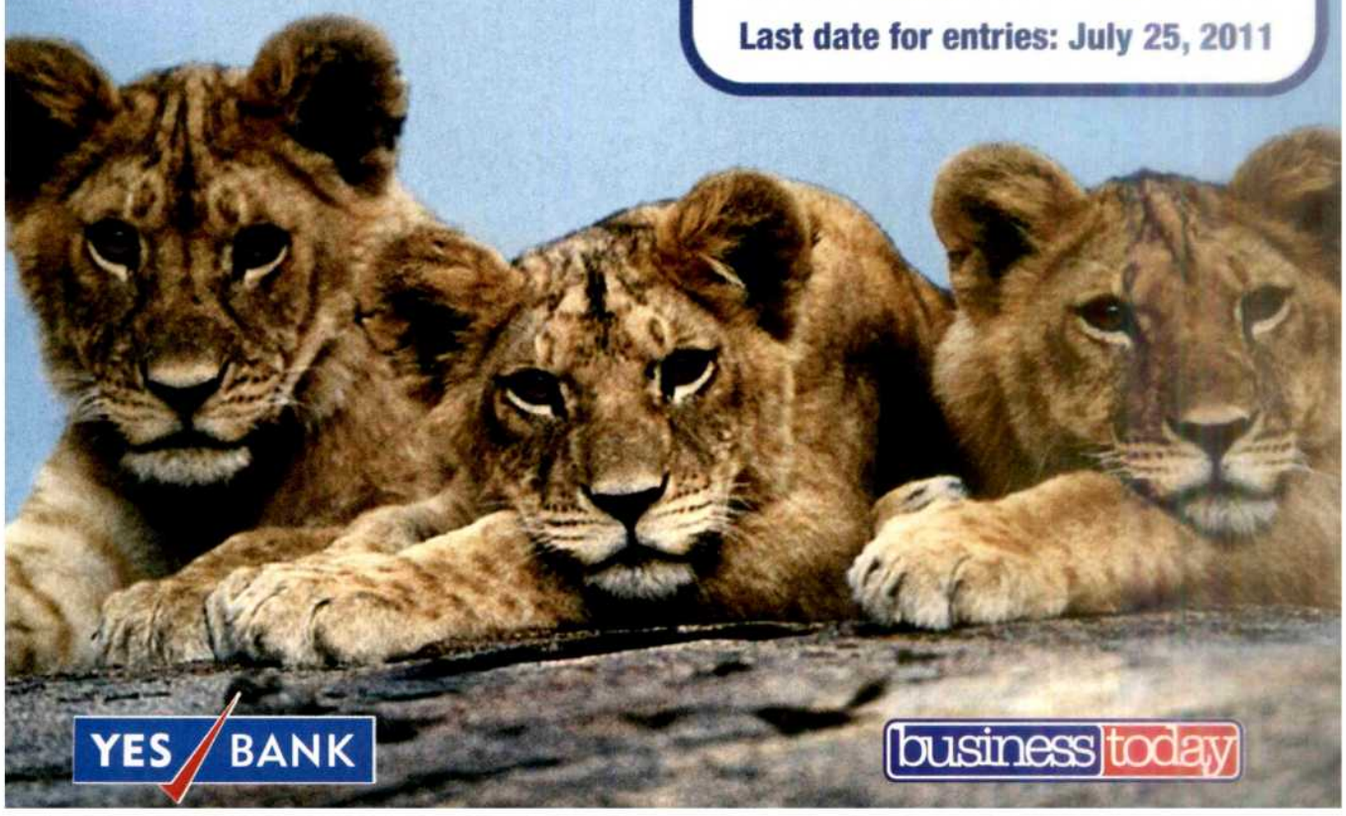

YES BANK

business today

LAST BUT NOT LEAST

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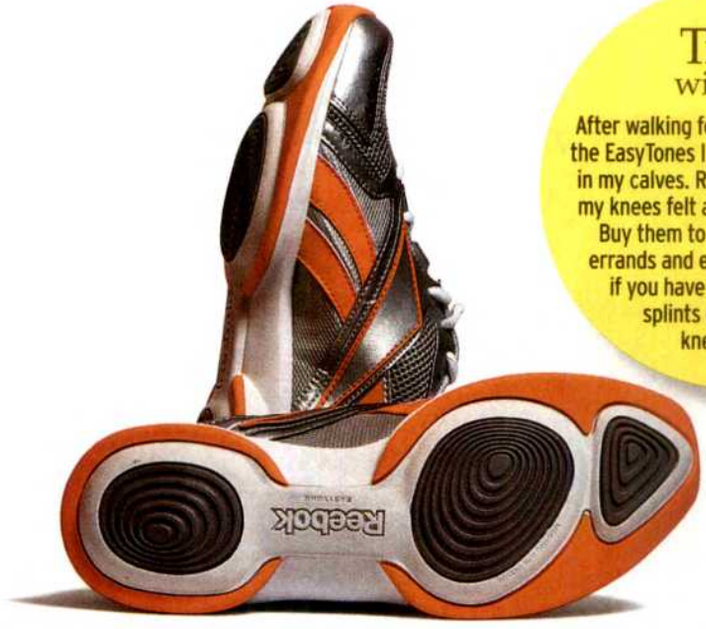
Easy Does It

Sportswear majors maintain toning shoes improve muscle tone and posture. Are such claims valid, asks **Anika Gupta**

Soled out: Fitness freaks at a Gurgaon gym



Tread with care

After walking for 40 minutes wearing the EasyTones I began to feel a twinge in my calves. Running was a disaster, my knees felt as if they were on fire. Buy them to wear while running errands and ease into them. Avoid if you have weak ankles, shin splints or a history of knee trouble

The problem with the first pair was they felt like marshmallows, and people didn't like wearing marshmallows," says Bill McInnis, Head of Advanced Innovation for Reebok International.

McInnis's "problem" began years ago when Reebok decided to make a new toning shoe and he started testing designs. The impetus was a similar shoe manufactured by a Switzerland-based rival in 1996. The company had made a splash with the Masai Barefoot Technology, or MBT. The creators of the MBT had observed the agile Masai people in Kenya walking barefoot. The result was MBT – a shoe with a curved sole which, the company claimed, exercises muscles in the legs and thighs that otherwise remain underutilised. It referred to the product as "physiological footwear", and emphasised its wellness effects.

Reebok decided to make a toning shoe of its own, albeit using a different technology. A dozen engineers started work on the project in 2003 at the sportswear major's research park in Canton, Massachusetts, which boasts of indoor and outdoor turf fields, a 400-metre track and a basketball court. "You know how when you step on the Nintendo Wii Fit it finds your centre of balance?" says McInnis in an interaction on the telephone. "This is a way more expensive version of that." The result of two years of labour was the Reebok EasyTone, a shoe with two balance pods embedded in its sole. When the wearer moves, air whooshes in and out of these pods, creating instability. McInnis says the effect is like walking on marbles or sand – balancing on uneven surface requires extra effort by the leg and hip muscles, which results in better muscle toning.

The EasyTone was launched in the United States in 2005, along with a controversial ad that featured closeups of women's hips. Despite the high price – EasyTones sell for $100 and MBTs for $250 – customers paid up. Others also flocked in: New Balance and Skechers launched around the same time. An exception has been Nike. The US market for toning shoes was around $1 billion in 2010.

In India, EasyTones are the most prominent entrants in what is a growing market. Launched for ₹5,999 a year ago, they have helped increase Reebok's sales to women customers to 25 per cent of its total business from 15 per cent. Although there is a separate line for men called the RunTone, EasyTones target women. MBT shoes are in a "test phase" in India, says Guido Heck, Head of Sales for Masai Marketing and Trading. The company has opened a shop in a south Delhi mall, and plans to open three more in Delhi and Mumbai over the next year. The shoes, says Heck, will be priced between ₹12,850 and ₹16,000.

Some experts, however, are not yet convinced. "In medicine we look for evidence-based research," says Shweta Shenoy, sports physiologist and Secretary-General of the Indian Association of Sports Medicine. Here the MBT shoes have an advantage over the EasyTones. Reebok points to a single, unpublished study which found that wearing EasyTones exercised women's calf and hamstring muscles 11 per cent harder than regular walking shoes, while activity in the gluteal muscles went up 28 per cent. A long-term study is underway but results are not yet out.

MBT, on the other hand, has an academy dedicated to research. There are 21 studies listed on its page, of which nine have been published. Since the company describes the MBT as a wellness shoe, many of these studies examine whether wearing the shoes can help correct posture or reduce joint stress. But none of them would meet Shenoy's standard, which requires a large-scale study conducted on many participants over several months or years. "I would rather buy good shoes and go to the gym," Shenoy says.

Reetu Sharma, 23, a trainer and yoga instructor at a gym in Delhi, has been wearing the EasyTones for a year. She says the shoes make her legs feel "light" – a valuable thing for a person who spends her entire day on her feet.

However, toning shoes are no replacement for a good workout. They are not recommended for use at the gym or in a sport. Neither MBTs nor EasyTones can handle sudden lateral movement of a sport. But with size zero the latest fad, EasyTones are just flying off the shelves. ◆

SAPTARSHI BISWAS/www.indiatodayimages.com

Mr Luxury

So many brands, so little time. Ashish Chordia talks luxury cars with Kushan Mitra

Ashish Chordia is the man who brought Porsche, Ducati, Maserati and Ferrari to India in the past four years. And customers cannot seem to get enough of them. There are over 1,000 Porsches, for example, on Indian roads. "Customers from small cities are also beginning to look at luxury cars as a way of expressing themselves," says Chordia, Chairman of the Shreyans Group, one of India's oldest luxury car retailers. He cites the example of Kanpur, whose residents have bought 10 Porsches to date.

"Demand coming from these cities is not surprising," Chordia says, pointing to the findings of a survey displayed on his computer screen. "This segment is growing fast because Indians are getting richer and have more disposable income."

Enough to spend on a ₹2-crore-plus Ferrari? Evidently, yes. Chordia says that he has been inundated with enquiries since he opened the Ferrari showroom on Delhi's Janpath in May. "There are waiting lists for almost all our cars, some of them a few months long. And the funny thing is, every person buying such an expensive car is 'important'. So when I get a lot of

calls (from people seeking to skip the queue), there's not much I can do."

Rising petrol prices are not hurting demand either. The best-selling car in Chordia's portfolio is the diesel version of Porsche's sports utility Cayenne, which costs ₹68 lakh. "We recommend people fill 97 octane in these cars. It costs close to ₹80 a litre, but when people want performance, they're ready to pay," he says. ◆

"Waiting Period Will Fall to One Month"

BMW India's **Andreas Schaff** *faces two problems – excessive demand for his cars and excessive travel. Edited excerpts from an interview with* **Kushan Mitra**

BMW deliveries take time: We are having trouble as the demand for the six-cylinder diesel model caught us by surprise. As regards the X1, we are ramping up production at the Chennai plant. Later this year, waiting periods are expected to come down to a month, which I think is quite reasonable.

Response to BMW Financial Services: We are getting an excellent response. Today, one in two BMW cars is financed by BMW Financial Services. This helps us manage the customer relationship better as we know about the loan periods and make offers to them accordingly.

On rising sales in small-town India: Our Goa dealership is one of the best-designed in the country. Raipur will see growing demand in the next few years. Some of our sales points have done better than expected. For instance,

our Cochin dealer is doing so well that we are opening dealerships in Thiruvananthapuram and Kozhikode too. However, opening so many of them means that I am always on the road, and life has been quite hectic of late. ◆

The 'Baby' Beamer

The ***BMW X1*** *is selling like hot cakes. To find out why, we took the* ***X1 2.0d Exclusive*** *on a drive.*

This is a BMW you can buy without robbing a bank. Ultimately, the important thing about a BMW is not its driving performance but the badge. While the Beamer will put a smile on your face, thanks to its fairly responsive, compact engine and great handling, there are a few things you should keep in mind. First, the car is not that big. In fact, it has to be self-driven as the rear seats are best enjoyed by children, as there is little legroom. Second, the 'exclusive' variant we test-drove is priced quite steeply at ₹30.4 lakh ex-showroom – ₹22.4 lakh for the base petrol and ₹24.4 lakh for the base diesel model. A Hyundai Santa Fe or Toyota Fortuner would make better sense, but then these do not have the brand pull of the Beamer. And for that reason alone, it may be a decent buy. ◆

Full review at www.business-today.in/beamer

Who's Picking Up the Tabs?

Tablets are flooding the market, but the iPad remains ahead

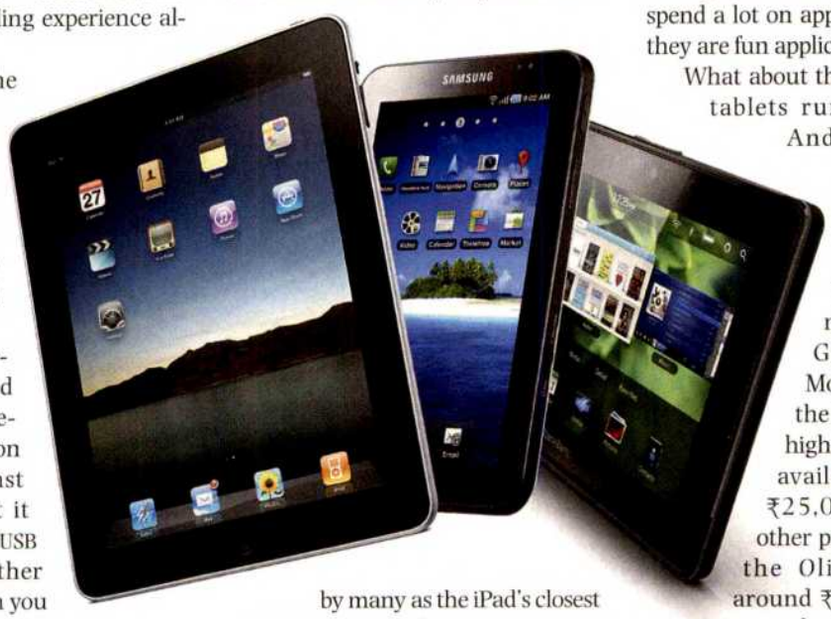
An admission: my life has changed since I started using the Apple iPad. Apart from having shelled out the initial amount for the device (prices start at ₹27,900), I find my credit card bill soaring. In the past six months, I have spent an estimated $200-plus (₹9,000) on applications and *Archie* Comics. Yes, I read far too many comics. But somehow reading them — and *The Economist* and *Wired* magazines as well — on the iPad has changed my reading experience altogether.

Of course, the Apple iPad is not the only tablet in the market. There are others – some better in some respects, but most not as good.

There are arguments for and against every device. The common argument against the iPad is that it does not have a USB port. It can neither multitask nor can you drag and drop files onto it. You are forced to use Apple's iTunes. And of course, it does not run Adobe's Flash software, though the iPad's popularity is forcing websites to develop non-Flash iPad versions. But that said, the 'Retina Display' screen on the iPad2 is stunning, the larger screen size making a big difference. Of course it does impact portability.

The biggest plus of the iPad, however, is the access it provides to the iTunes Applications Store. This, incidentally, had at least one customer moving the Competition Commission of India , or CCI, with a pretty frivolous complaint about Apple's retail practices. Though the CCI is yet to take any decision, the fact that the complaint was filed at all indicates Apple's domination of the tablet marketplace.

The domination may not continue indefinitely because iPads are not cheap. But then the recently launched BlackBerry Playbook, seen by many as the iPad's closest competitor, is no less expensive, its cheapest version costing ₹27,990.



I tried the Playbook recently and was impressed with its fast dual-core processor that can handle multitasking. This allows the user to watch a movie played by the device on a large TV screen, thanks to its high-definition multimedia interface output port while working on a spreadsheet on the tablet itself. And it has a better browser and better cameras. But it also has one critical flaw: it cannot send emails independently. You need to first connect it via Bluetooth to a BlackBerry mobile device to send emails. Executives of Research In Motion, or RIM, the makers of BlackBerry, claimed this tortuous means of sending a simple email was a great feature. What they did not mention either was this means a buyer will need to spend at least another ₹13,000 for a 3G capable BlackBerry mobile.

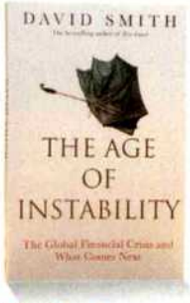
At least iTunes is free, if not all that great. And while you might spend a lot on applications, at least they are fun applications.

What about the army of other tablets running Google's Android operating system optimised for tablets called Honeycomb? There are the new Samsung Galaxy Tab, the Motorola Xoom and the HTC Flyer at the high end of the market available for around ₹25,000, and several other products – such as the OlivePad costing around ₹16,000 – which are at the more affordable end. These Android devices may one day dominate the Indian market, but right now, they have developmental issues, and are unable to compete with the iPad2. The cost of the cheaper tablets might soon fall below the ₹10,000 price-point, which, coupled with the new broadband wireless systems, could see them take-off.

But right now, I feel the tablet market remains a market for one: the Apple iPad.◆

Cause and Calamitous Effect

The book is a good read for anyone who wants to understand the various events that led to the global economic crisis, says N.S. Kannan



The Age of Instability: The Global Financial Crisis and What Comes Next
By David Smith
Publisher: Viva Books
Pages: 294
Price: ₹695

When I was recently asked by an international researcher whether the lessons of the global financial crisis would be forgotten, I had mentioned that the ongoing sources of uncertainty such as Europe's sovereign debt issues, political news from the Gulf and the volatility in Indian equity markets would help prevent complacency from setting in. Of course, numerous books on the financial crisis have also not allowed us to forget the crisis, as we browse through the titles in any bookstore.

Yes, the global financial crisis of 2008 has been one of the most researched, discussed and commented upon events in recent years. To my mind this is deservedly so, given the far reaching implications it has had for financial markets worldwide, from the failure of large, important financial institutions to the questioning of traditional economic thought processes. It is, therefore, important to analyse the causes of an event of this magnitude and to take preventive measures to avoid any recurrence.

In this context, David Smith's book *The Age of Instability* may seem as one in a series of commentaries on the global financial crisis. The difference between other analyses of the crisis and the one by Smith lies in the author's recognition and linking up of economic events since the 1980s to the eventual build up of pressures in financial markets and the collapse in 2008. The author draws out and highlights the causes that led to the financial crisis without, as many others have done, limiting his starting point only to the last decade. For example, the author has articulated that the reunification of Germany and the consequent impact on the economic thought process regarding capitalism, together with greater globalisation, were strong drivers of the sustained period of economic growth and stability preceding the crisis. The author has also highlighted the impact of events, such as the Asian financial crisis, the US technology stock bubble and the US terrorist attacks, on monetary policy and its consequent impact on financial markets, particularly the housing market. The book, therefore, provides a unique and sufficiently historical background to the build up of the excesses that led to the financial crisis.

The author has done an extremely good job of presenting a historical, detailed and yet simple to read account of the global financial crisis. The events covered in the narrative are flush with examples and quotes from people close to the developments, and will give readers a good insight into the mindset of policymakers, academicians and industry practitioners at the time the events unfolded. The book is a good read for anyone who wants to understand the shaping of economic policies and financial markets that led to one of the severest crises the globalised world has seen. ◆

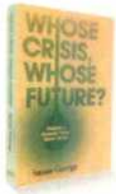
The reviewer is Executive Director and Chief Financial Officer of ICICI Bank. These are his personal views and not of the organisation

The author has done an extremely good job of presenting a historical, detailed and yet simple to read account of the global financial crisis

BOOKMARKS

The Leadership Masterclass/The Management Masterclass
By Emma De Vita
Headline Business Plus
Pages: 171/190
Price: ₹350/₹199

The books provide practical, no-nonsense business and management advice for aspiring or incumbent leaders and managers.



Whose Crisis, Whose Future?
By Susan George
Polity Press
Pages: 307
Price: ₹3,885

With the world in the midst of a multifaceted crisis - be it growing poverty or the crisis in global financial markets - here is a book that offers solutions.

All in Your Head

Games executives play help them to understand the mind

Games, I recently discovered, not only help children to learn, but also grown-ups. I was invited to be a fly on the wall at an employees 'conflict resolution' session in a large company that had been acquired by another global major. Participants were randomly divided into two groups. Each participant was given a plastic pipe open at both ends. Teams had to use the pipes to transport marbles placed inside them to a receptacle kept at a distance, without allowing the marbles to fall out midway.

The man conducting the exercise, Ravi Sharma, was a friendly-looking fellow who seemed like he had done this a million times before. "You'll see how we use a bit of neuroscience in this," he whispered. Frankly, I was sceptical. It sounded as esoteric as 'karmic management', 'terror management' and other such concepts. I had visions of a sci-fi office with wires attached to people's heads. Sharma cut my reverie short with prosaic wisdom: people resist acknowledging facts that stare them in the face. He gave an example. "If you told me that I was being unreasonable, I am unlikely to thank you for the insight," he said. "Chances are that I would react by thinking you are illogical, because you are a woman."

Sharma has just co-founded a company called NeoSynapses that uses research on how the brain works to come up with new ways of engaging with people. NeoSynapses helps firms resolve conflict among employees in situations following acquisitions and mergers. It also aids CEOs in mining the talent pool. Sharma begins by entertaining the team members, while doling out information about behaviour patterns. As he explains the pipe-and-marble game, he jokes about how some participants have a target of 500 marbles, how some clumsy ones choose to sit out after a few failures and how teams zero in on the achievers.

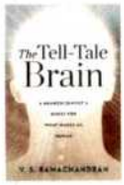
Sharma explains some people are good thinkers, others are leaders; some are doers while others are 'playful idealists', but they are all necessary to the game. "Yet when we have to deal with new people or tasks, we find change to be painful," he says. Over time, the brain develops response patterns – this helps it save energy and become more efficient. Hence, any change is perceived as an error. This triggers the emotional centre at the base of the brain, called the amygdala, which controls our 'fight or flight' response. Though the prefrontal cortex in the brain – responsible for planning, execution, etc – can override the more primitive emotional centre, it takes a lot of energy and conscious effort.

Sharma knows he needs participants to acknowledge change and become aware of their behaviour, along with that of colleagues. This is best achieved using a game – one that allows people to activate their brains in a competitive yet non-threatening manner, as it offers them the incentive to create a winning team.

Self-awareness is critical in management change. An emerging field in this sphere is 'Neuroleadership' – a term credited to David Rock, a renowned thought leader in management training. Neuroleadership focuses on bringing neuroscientific knowledge into areas like management training and change management. "One of the things it seeks to show is the concept of observing your own thoughts as an 'impartial spectator'. Without this, we are to some degree on automatic," says Rock in his interview on Leading Blog.

So, next time the boss steps out to ask about the tender quotation that is supposed to be made two months later, the manager will know what to do. Emotional triggers to the new query have to be pacified. The knowledge allows the manager to respond in a reassuring and confident manner. As for me, I am still trying to figure out a way that will allow my brain to suppress signals that make my arm slap the alarm into snooze early in the morning. ◆

SUGGESTED READING



The Tell-Tale Brain
By V.S. Ramachandran

The Neuroscience of Leadership
By David Rock

From personalised cuff links to rolled-up sleeves.

Watch corporate hotshots get pulled out of their comfort zone and take on challenges they've never tried before. Tune in to The Assignment, only on Bloomberg UTV.

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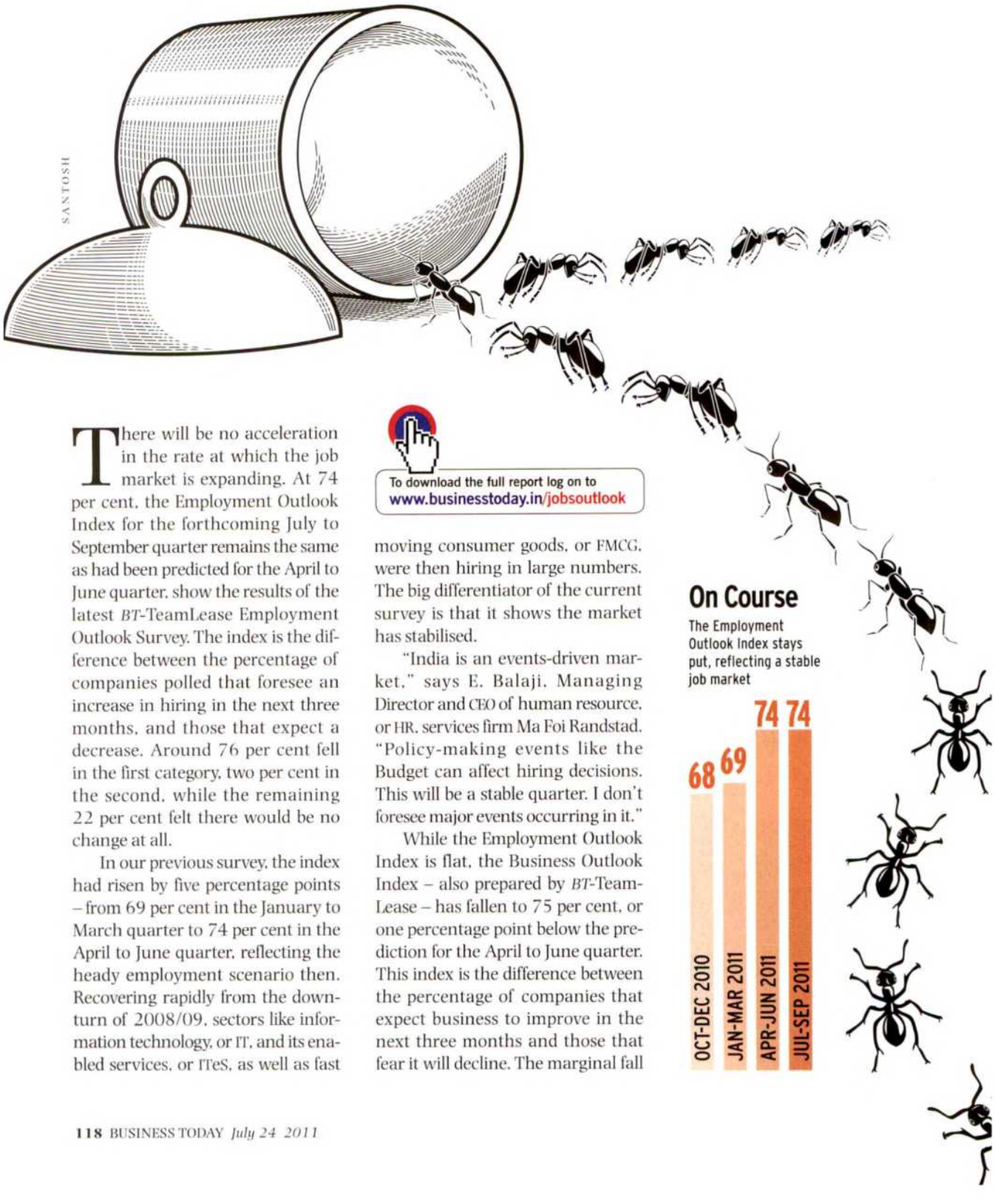
Going Steady

The latest *BT*-TeamLease survey shows hiring has stabilised, says **Anumeha Chaturvedi**



There will be no acceleration in the rate at which the job market is expanding. At 74 per cent, the Employment Outlook Index for the forthcoming July to September quarter remains the same as had been predicted for the April to June quarter, show the results of the latest *BT*-TeamLease Employment Outlook Survey. The index is the difference between the percentage of companies polled that foresee an increase in hiring in the next three months, and those that expect a decrease. Around 76 per cent fell in the first category, two per cent in the second, while the remaining 22 per cent felt there would be no change at all.

In our previous survey, the index had risen by five percentage points – from 69 per cent in the January to March quarter to 74 per cent in the April to June quarter, reflecting the heady employment scenario then. Recovering rapidly from the downturn of 2008/09, sectors like information technology, or IT, and its enabled services, or ITeS, as well as fast moving consumer goods, or FMCG, were then hiring in large numbers. The big differentiator of the current survey is that it shows the market has stabilised.

To download the full report log on to
www.businesstoday.in/jobsoutlook

"India is an events-driven market," says E. Balaji, Managing Director and CEO of human resource, or HR, services firm Ma Foi Randstad. "Policy-making events like the Budget can affect hiring decisions. This will be a stable quarter. I don't foresee major events occurring in it."

While the Employment Outlook Index is flat, the Business Outlook Index – also prepared by *BT*-TeamLease – has fallen to 75 per cent, or one percentage point below the prediction for the April to June quarter. This index is the difference between the percentage of companies that expect business to improve in the next three months and those that fear it will decline. The marginal fall

On Course

The Employment Outlook Index stays put, reflecting a stable job market

suggests that more companies now believe the current slowdown is unlikely to end in three months.

The Employment Index also shows that hiring sentiment in the IT and ITeS sectors, in particular, has dropped by four percentage points. "For months IT and ITeS were the top sectors in hiring," says Sangeeta Lala, Vice President, TeamLease Services. "Though the drop is not sharp enough to significantly lower the high positions already reached by these indices, the fall in these sectors has stabilised the index, which was earlier highly skewed in their favour."

By contrast, pharmaceutical and health care companies expect employment opportunities to increase by five percentage points. In the last survey, the index for these two sectors had fallen by eight percentage points. Balaji feels this reflects the rise in disposable incomes, and in consequence, people's willingness to spend more on health care. Recognising the trend, many hospital chains have been expanding and hiring aggressively. Max Healthcare, the Delhi-based chain of speciality hospitals, for example, hires 400 people across functions every month for its new super speciality tertiary care hospitals in Bhatinda, Dehradun, Mohali and New Delhi. "The numbers will increase significantly and can go up to 600 a month from the next quarter as we expand further," says Purva Misra, Director of HR at Max Healthcare.

The index has risen by two percentage points in both retail and FMCG, as well as in manufacturing and engineering. In financial services, however, it has fallen by three percentage points.

The survey shows hiring sentiment in the metros has risen by two percentage points on average, rising to 91 per cent, while expectations in tier-II cities have fallen by one percentage point. The outlook in tier-III towns and semi-rural areas remains unchanged. Job openings at junior levels are expected to increase the most – by three percentage points over the last quarter – mid-career levels are likely to stay steady, while senior level hiring may drop by one percentage point. ◆

Mfg. and Engg.
74

Retail and FMCG
93

Financial Services
74

IT
80

ITeS
76

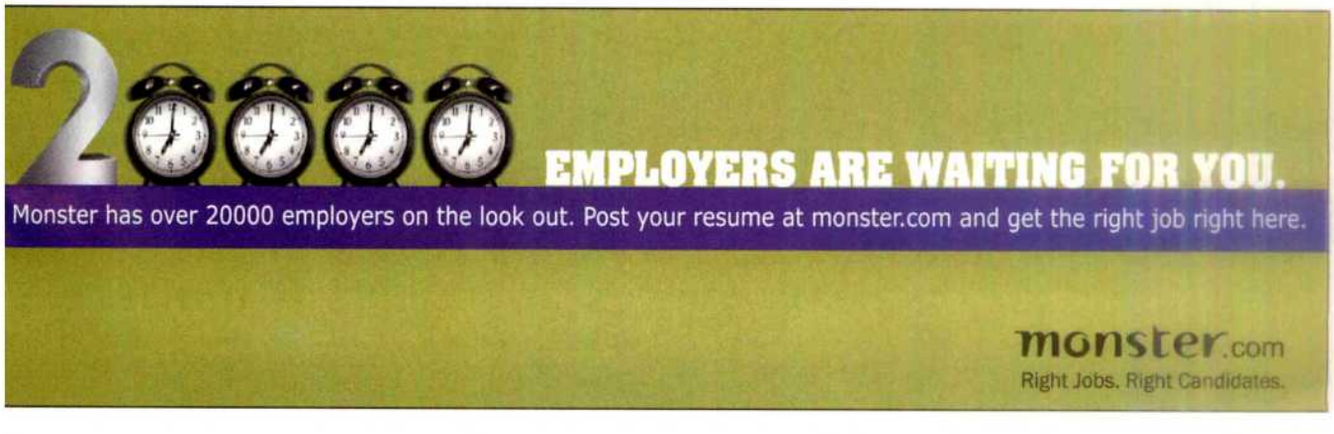
Infrastructure
75

Telecom
84

Health Care and Pharma
79

Methodology

The *BT*-TeamLease Employment Outlook Survey, which follows a rigorous, statistically validated process, was conducted among 635 respondents in eight sectors (see left) across eight cities. The companies were selected from the Kompass Directory for small, medium and large companies in the private sector, from NASSCOM for IT companies, from companies registered with *www.bpoindia.org* for ITeS companies, and the National Stock Exchange. Care was taken to ensure a good mix of large, medium and small companies as also an equitable representation across industries to remove any bias or variation that might be attributable to a particular industry. The target respondents at these companies were the HR heads or decision makers in the hiring process. Given the concentration of companies in Mumbai, Delhi, Kolkata, Chennai, Bangalore, Pune, Hyderabad and Ahmedabad, the study was restricted to companies with a presence in these cities. A random sample was drawn from each city with due weightage to size. Two indices, the Employment Outlook Index and the Business Outlook Index, were computed to elaborate and analyse the trends that emerged from the data.



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Sr. Recruitment Co-ordinator
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Description: Primary responsibility of the Recruitment Coordinator is to drive process execution, on all pre employment processing activities within the scope of Global HR Shared Services.

Freescale Semiconductor
Product Marketing Manager
Location: Noida
Job ID: 8832009
Description: Degree in Electronic and Electrical Engineering or similar discipline with at least 8-12 years customer facing experience Thorough knowledge of products relevant to the automotive field (MCU, Analog, Sensors)

Novartis Healthcare Private Limited
Assistant Manager-HR Operations
Location: Hyderabad
Job ID: 9676127
Description: Responsible for managing the payroll processing to ensure in time and accurate payroll runs. Must have experience in HR Operations, specialized in Payroll process for a site upto 1000+ Associates.

Zensar Technologies Ltd.
Associate Manager- Global C&B (Compensation& Benefits)
Location: Pune
Job ID: 9943938
Description: Task: Creates salary structures keeping in mind internal equity and external competitiveness; Identifies appropriate salary studies and conducts market studies to design compensation programs.

Infotech Enterprises Limited
Senior Manager-Sales
Location: Hyderabad
Job ID: 9745037
Description: The person will be respon for sales of Infotech's GIS services in government sector.

GlobeOp Financial Services, LLC
Manager - Operations
Location: Mumbai
Job ID: 9924989
Description: Responsible to lead the tean efficient functioning of the entire t Responsible to establish and streamline process and new clients etc.

Syntel Inc
CSR Manager
Location: Mumbai
Job ID: 9941194
Description: Person must have a understanding of CSR functions; u understand programmatic related w Project Design, Planning, Development Management etc.

Mindtree Limited
Talent Acquisition Lead
Location: Hyderabad
Job ID: 9940928
Description: Aspirant should be familia all facets of IT recruitment; Should be ab lay the role of a lead , Planning / execu Should be well versed with job market bench marking.

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Oracle
Oracle Apps SCM Functional Consultant
Location: Bangalore, Hyderabad
Job ID: 9941473
Description: Candidate should have atleast 4 yrs of experience in oracle apps SCM functional consultant. He / She should have worked on atleast 1 end to end implementation project.

Sapient
Specialist Platform – C++
Location: Gurgaon
Job ID: 9717273
Description: Seeking experienced people with strong hands on development experience on C++ development, capable of building architecture/design. In-depth understanding of OOAD concepts.

ValueLabs
Dotnet Developer
Location: Hyderabad
Job ID: 9894569
Description: Looking for Dot net developer with 4-6 yrs Exp. Skills: Asp.net4.0/3.5/3.0/2.0,c#,sql server, WCF, exp in any mobile application/mobile domain is required.

Capgemini
PRIME Lead
Location: Hyderabad
Job ID: 9932086
Description: Will be responsible for designing a new solution and providing approximate cost to client; Prepare functional and technical specifications for enhancements etc.

Ness Technologies (India) Pvt. Ltd.
Senior Software Engineer
Location: Bangalore
Job ID: 9932209
Description: Incumbent must have relevant work experience in JAVA and iphone.

Integreon
System Administrator - IT
Location: Noida
Job ID: 9752919
Description: Should have relevant experience in handling system administration and providing local support within the organization.

ACS, Inc.
System Administrator
Location: Cochin
Job ID: 9930831
Description: Role: This will include the creation and/or modification of MOVE it Central tasks, creation and/or deletion of MOVE it DMZ accounts and general troubleshooting.

Cisco Systems (India) Private Limited
Team Leader/ Technical Leader
Location: Pune
Job ID: 9949988
Description: Strong working experience in networking technologies and protocols, Layer3 and above (IP, IPv6, TCP, UDP,HTTP and Application protocols).

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Engineer/Manager - Marketing-PS eBop
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Job ID: 9934673
Description: Duties: Business Development including coordination with consultants; Generation of Enquiry and Order Intake as per Target assigned; Bid Preparation etc.

Nous Infosystems
Sr.Manager- Marketing
Location: Bangalore
Job ID: 9938751
Description: Function: End-to-e responsibility inclusive of creating the strat framework for each business divisi developing and managing the lead generat engine and hand-holding the custor acquisition process.

TTK Prestige Limited
Branch Sales Manager
Location: Hubli
Job ID: 9634913
Description: Position is in charge of overall branch operation, reports to Regional Sales Manager. Position heads a team of one or more Area Managers and a team of Territory sales officers for both the divisions of sales and service Business development.

Cyber Futuristics India Private Limited
Executive - Business Development
Location: Delhi, Noida
Job ID: 9093172
Description: Responsible for identif prioritizing and developing new busine BPO & ITES Services through cold calling other medium of Lead Generation.

India Mart
Marketing Executive/ Sr. Executive
Location: Delhi, Noida
Job ID: 9933435
Description: This role is primarily responsible for new client acquisition and business development.

Acculogix Software Solutions Pri Limited
Area Sales Manager
Location: Hyderabad
Job ID: 9936771
Description: The candidate will responsible for Selling of products to Mi and Cement Industry belt for AP, Vida (MS) and Karnataka Area.

GlobalLogic India Pvt Ltd
Business Development Manager
Location: Noida
Job ID: 9917183
Description: Looking for a BD Manager with exposure to Telecom Industry/Products and solid understanding of software engineering technology and terminology between 5-9 years of experience

Agrim Corporate Services Limited
Industrial Marketing Executives
Location: Raipur
Job ID: 9890376
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Cost Accountant / ICWA
Location: Mumbai
Job ID: 9932212
Description: Overall responsibility: Manage accounts and finance functions including taxation matters of JSW Techno Projects Management Ltd.

Assign Info Tech Pvt Ltd
Accounts Executive
Location: Noida
Job ID: 9521827
Description: Should have 1+ experience in Accounts field. Expertise in Tally Should be B.Com (Honors) Graduate with good communication skills.

Saba
Finance Executive
Location: Pune
Job ID: 9943063
Description: Person will support the financial modeling, planning, forecasting, analyzing and reporting for revenue and cost of revenue for our global software maintenance etc.

Tesco Hindustan Service Centre
Accounts Executive
Location: Bangalore
Job ID: 9801151
Description: Looking for Accounts Executive with 0-1 Year Experience in the Accounting field only.

Capital IQ
Management Trainee
Location: Hyderabad
Job ID: 9949156
Description: Responsible for organizing, designing, structuring and developing teams for researching and subsequent processing of Financial / Business Intelligence information of various global public and private companies.

PwC Service Delivery Center
Corporate Tax – Assistant Manager
Location: Kolkata
Job ID: 9854319
Description: This role reports to Corporate Tax Manager and interacts regularly with Associate Director and is responsible for training peers and managing teams of 6-10 associates independently.

ADP
Cost Accountant
Location: Pune
Job ID: 9936612
Description: Looking for B Com / M Com / CA inter graduates with at least 55 % in their academics; At least 1 year of experience in a core accounting process.

Deloitte Touche Tohmatsu India Pvt Ltd
Executive - (Provident Fund ,Gratuity)
Location: India
Job ID: 9942786
Description: Task: Independently handling statutory compliances i.e., PF, Gratuity, Car Lease; Filling Challans, Ensuring payment done to Govt. authorities within time limit etc.

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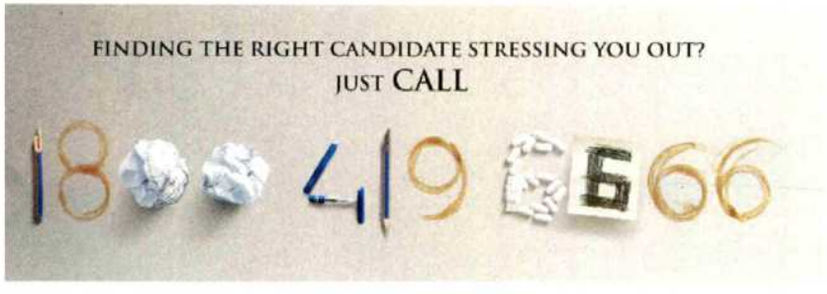

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Daniel Sennheiser
President, Strategy and Finance,
Sennheiser Electronic

Obsessed with Listening

Headphones are one of the coolest gadget accessories and no one knows this better than **DANIEL SENNHEISER**. His grandfather and the founder of Sennheiser Electronic, Dr Fritz Sennheiser, built the family business at the end of World War II. At the time, the world market for headphones stood at a mere 500 units. Today the company is considered a global leader in professional audio and recorded a turnover of €467 million in 2010. An accomplished pianist, Daniel is proud of his family legacy and obsessed with "listening" to the consumer. An obsession which brought him to India, a country he believes is an important part of Sennheiser's growth strategy. The company already has tie-ups with Indian musicians and bands like A.R. Rahman, Lucky Ali, Shankar-Ehsaan-Loy and Swarathma, to name a few. And how does Daniel kill stress? By simply playing the piano for 15 minutes after work.

MANASI MITHEL

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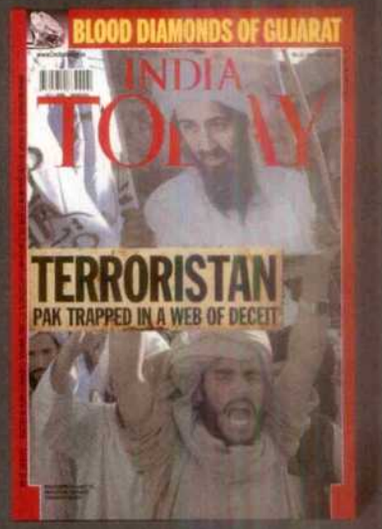

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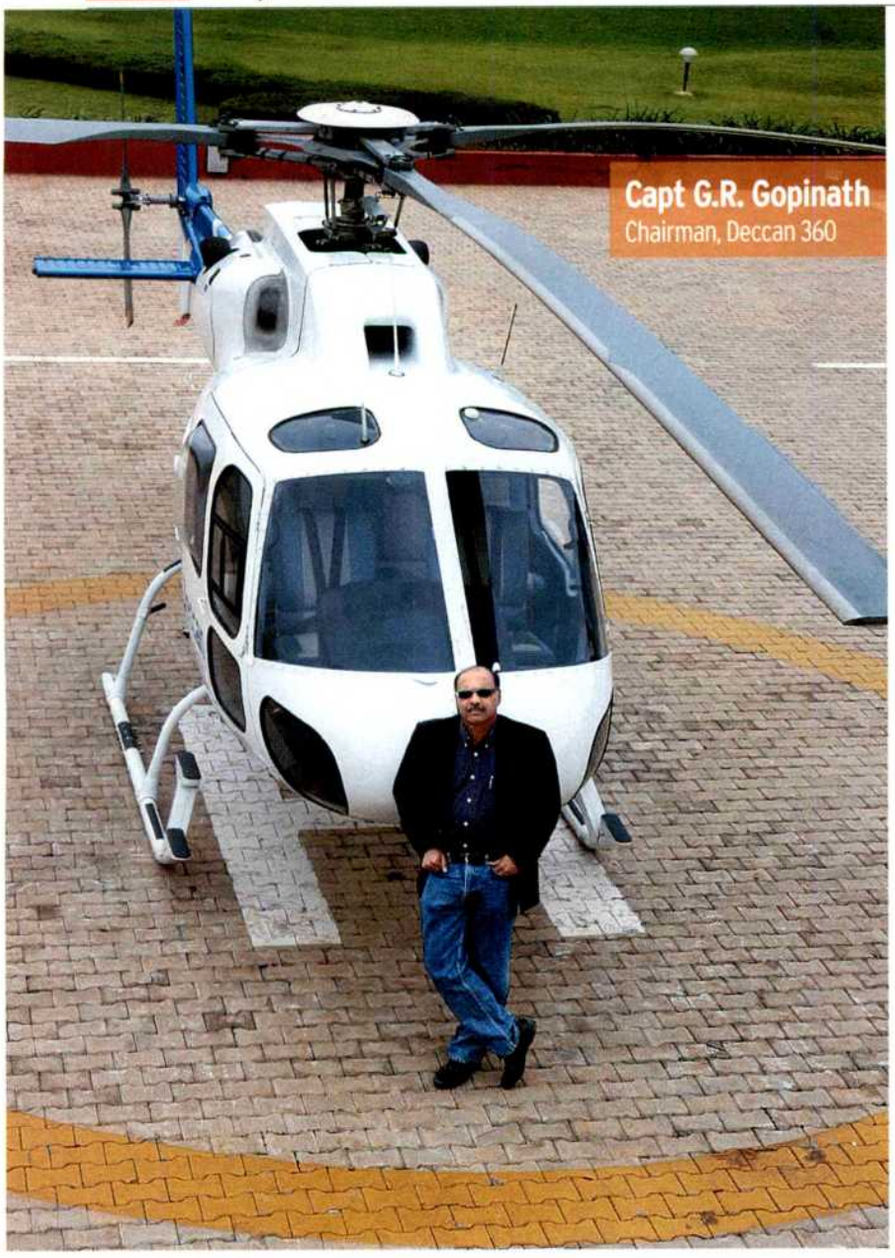

Capt G.R. Gopinath
Chairman, Deccan 360

Rough Ride

When **CAPT G.R. GOPINATH** launched his express logistics venture, Deccan 360, two years ago, the aviation industry was still reeling from the slowdown. Even so, he hoped to break-even in 18 to 24 months. But high operating costs and fuel prices have played spoilsport. Gopinath, who rose to fame with his low-cost airline experiment, Air Deccan, has now set out on a major restructuring exercise and is looking for new investors. Media reports say Reliance Industries, which holds a substantial stake in Deccan 360, may not make any fresh investments and may even consider exiting. On his part, Gopinath says: "At $800 million, India's express cargo market is just about a tenth of China's, and there is a huge opportunity waiting to be tapped. We hope to benefit from that."

K.R. BALASUBRAMANYAM

Son Rise

Wipro Technologies, India's third-largest software and services exporter, has seen a lot of churn at the top management level, so it is hardly surprising that founder Azim Premji has decided to promote his elder son **RISHAD**, 34, as Vice President in charge of mergers and acquisitions, as well as global information technology strategy. A Harvard Business School alumnus, Rishad joined Wipro, which his grandfather established in 1945 as a vegetable oil and soap manufacturer, in July 2007. He has already driven Wipro into new areas, leading the buyout of Gallagher Financial Systems. The young scion is rarely seen and even more rarely heard. What Bangalore wants to know is when he will take over from his father.

K.R. BALASUBRAMANYAM

Rishad Premji
Vice President, Wipro

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Vilmos Zsigmond
Cinematographer

UMESH GOSWAMI

Camera Guru

VILMOS ZSIGMOND, an Academy Award-winning Hungarian-American cinematographer, says film-making is a fine art and should not fall prey to technology. It makes no difference, he maintains, that a new era of digital film-making has set in. "Even if it is digital film-making, artistry and imagination must remain at its core. Lighting direction is important as well," says the 81-year-old, who has shot one digital film in Hungary so far called *The Maiden Who Danced to Death*. Zsigmond, who won an Oscar for his ground-breaking work with director Steven Spielberg in *Close Encounters of the Third Kind*, was in India recently for Cinema India 2011, an industry trade show. He conducted two cinematography-related masterclasses, taking those who attended behind the camera to explore storytelling and execution of vision. He feels young film-makers should learn their craft by shooting with film. What about 3D films? "There is too much hype about 3D films because that's where the money is," he says.

ANUSHA SUBRAMANIAN

SAPTARSHI BISWAS

Peter Snell, CEO
Synovate Business Consulting

PARK AVENUE

Flying Visit

"India is now a global force in aviation," says **RICHARD FULTON**, Director, Aviation Business Development, Tyco Security Products, part of the $17-billion Tyco International. Fulton was in India recently for the India Airport Summit 2011. Coming from Britain, a nation of 60 million, the Belfast-born Fulton seemed somewhat overwhelmed by the size of India. He says India, China and Brazil are the next big markets for aviation since the flights per passenger ratio is currently low. A lover of Gavi di Gavi, an Italian white wine, Fulton spends his leisure time "woodturning". And when in a bad mood, he listens to Van Morrison *aka* the Belfast Cowboy's *Brown Eyed Girl*.

DEARTON THOMAS HECTOR

Richard Fulton, Director, Aviation Business Development, Tyco Security Products

Get, Set, Grow!

Within three months of taking direct charge of the India operations of Synovate Business Consulting, an arm of the $885-million research firm Synovate, Chief Executive **PETER SNELL** has drawn up plans to take on rivals. His strategy: to provide a one-stop shop market advisory service to clients by leveraging Synovate's capabilities in market research and domain expertise in areas such as health care, automotive, consumer goods, and financial services. "Unlike other consulting firms who outsource their research, we provide seamless integrated reports to our clients," he says. ◆

MANU KAUSHIK

SHEKHAR BAJAJ
CMD, Bajaj Electricals

My leadership style
- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
Bill Gates

The leadership lesson I remember the best
When things go right, the team gets the credit. When things go wrong, you take the blame

A movie I would recommend on leadership
3 Idiots

The difference between a manager and a leader
A leader "does the right thing" and a manager "does the thing right"

All good managers are good leaders
No

As told to N. Madhavan

UMESH GOSWAMI/www.indiatodayimages.com

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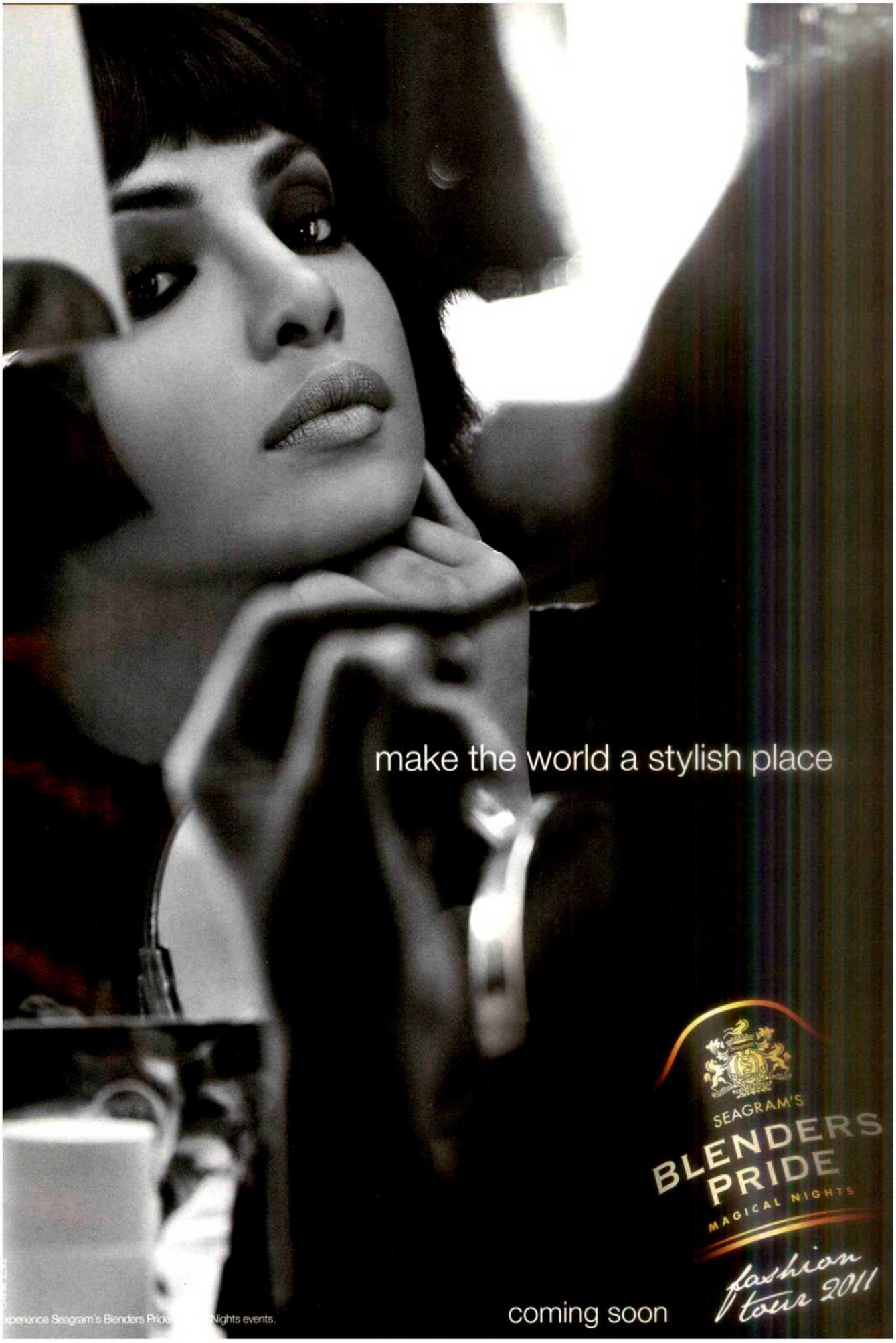
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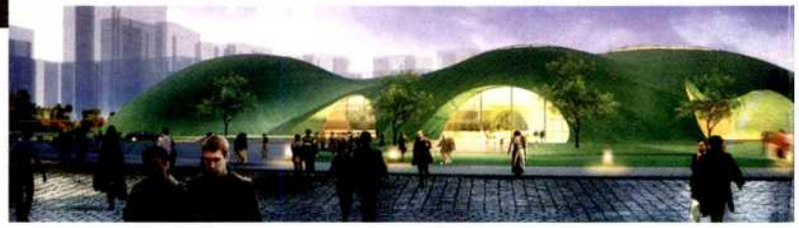

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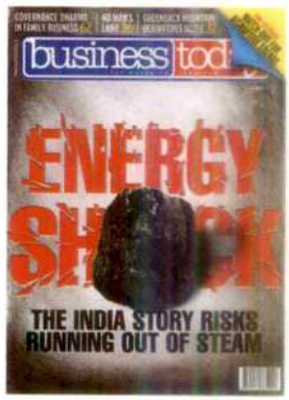
From the Editor

This has been a summer of discontent, and the portents are not auspicious. One day after Prime Minister Manmohan Singh announced his second underwhelming Cabinet reshuffle this year, Mumbai was hit by three terrorist bombs. The markets took in both the fizzle and the pop with equanimity: the Sensex fell only 1.5 per cent in the first half of July. The Mumbaikar's outrage and frustration are understandable; why can the government not be more on its toes and less ponderously reactive? Anxiety, delay and paralysis permeate the business air, too. The Cabinet kerfuffle did nothing to change a single significant economic manager. A week earlier, Finance Minister Pranab Mukherjee was the Chief Guest at the *Business Today*-YES Bank Best CFO Awards (page 84). He did not have much salve for wounded wallets in his fine speech (go to *www.businesstoday.in/pranab* for the full transcript). High inflation is inimical to growth, he said. He did not say it, but stasis is certainly souring investor sentiment. Foreign direct investment flows fell by close to 11 per cent in January-April from a year earlier. More disturbingly, foreign institutional investors' net purchases in the stock markets fell 50.7 per cent between April and June this year from a year earlier. These are straws in a hot and humid wind.



The rains are here, and Mukherjee said the south-west monsoon is "expected to be normal, with a moderating influence on food inflation". Planning Commission Deputy Chairman Montek Singh Ahluwalia, who also spoke at the CFO awards, seemed to feel sustained 9.5 per cent GDP growth is not an impossible dream (read his speech at *www.businesstoday.in/montek*). But business and growth need to be in happy tandem, and Mukherjee served notice that the private sector will have to ante up more than half of the $1 trillion needed in infrastructure spending during the 12th Five Year Plan, 2012-17. Will that money come easily? Our cover story this fortnight focuses on the energy crisis. Energy costs are rising unsustainably, some manufacturers are actually moving offshore, and there is a desperate search for captive coal as far afield as Australia. Can India satiate its power hunger? Read the telling tale from page 48.

Unless you run an online business, you need land for a brick and mortar enterprise, and our land acquisition laws are not just 117 years old, they can make the labours of Hercules seem like a cakewalk. Are we ever going to clean up the Augean stables of Eminent Domain, free and clear title, and fair compensation? You be the judge; read our sobering narration from page 36.

At *Business Today* we like to think we are impervious to inflation while we strive to continually improve the magazine. Late last year we redesigned our look and feel. In March we switched to some of the best paper money can buy so you have a world-class product in your hands. The last time *BT*'s price was raised was two years ago. From this issue, we will ask you to pay just a little more every fortnight. In return we offer you even more high-quality content. The magic will only grow. For a small dose, go to *businesstoday.in/potter*.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

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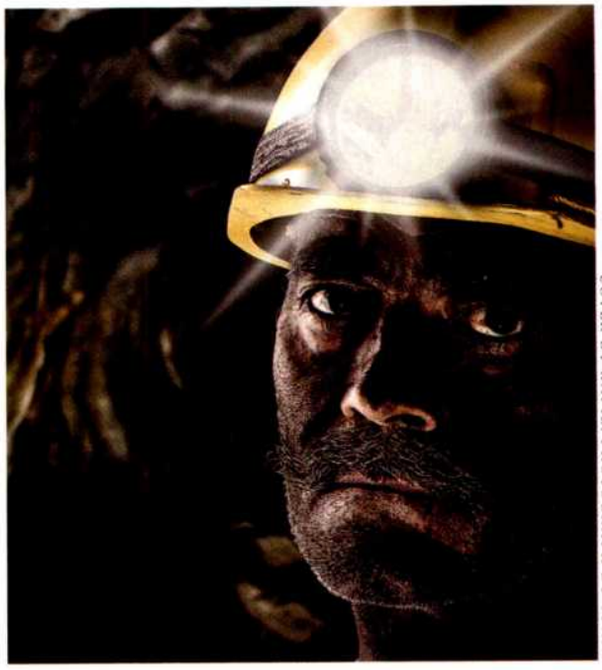

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CFOs on Top

Your cover package, *The Money Meisters* (July 24), did a decent job of highlighting the importance of the role a Chief Financial Officer plays in an organisation. In the past a CFO was a silent spectator while the CEO hogged all the limelight. This is no longer the case. A CFO's role is no longer restricted to just "bookkeeping" as your piece rightly points out. He has now become the CEO's closest business partner, a dramatic change in itself.

Ritika Lamba, *Pune*

Leading the Way

Kudos to Rangan Varadan, a former Infosys employee, for creating an alternative option for farmers for getting loans (*Non-Governmental Opportunities*, July 24). By founding Micrograam, a private company (not a microfinance institution) which helps create an innovative model of feasible micro lending with a network of NGOs, he has truly brought about a silent revolution in the lives of poor people.

B. Rajasekaran, *Bangalore*

Law Above All

The government and civil society representatives are still stuck over the question of bringing the Prime Minister, the judiciary and the MPs within the ambit of the Lokpal Bill (*Drop the Debate, Enact the Lokpal Law*, July 24). Remember, in a democracy, no one is above the law. The elected representatives, be they the PM or MPs, are public servants and can be held accountable for gross violation of people's faith as well as misuse of power. Agreed that civil society can only have limited say in law-making, but does it mean that politicians, who are easily moved by vested interests, can be entrusted to draft a law?

Mahesh Kumar, *New Delhi*

In the past a CFO was a silent spectator and the CEO hogged all the limelight. This is no longer the case. A CFO's role is no longer restricted to "bookkeeping"

Left Out

Your cover package, *100 Years Young* (July 10), was a good effort. However, I was surprised to see that EID Parry India Ltd (incorporated in 1788 as Thomas Parry) wasn't part of your compilation. It is the second oldest company in India that is still in business. A lot more was expected from a leading magazine like yours and its depth of research.

D. Vijayalakshmi, *General Manager, Corporate Communications, Murugappa Group*

www.businesstoday.in@coverstory: *The Money Meisters* (July 24) is *Business Today* and YES Bank's second listing of India's top CFOs

www.businesstoday.in@coverstory: *100 Years Young* (July 10) is a look at the journey of Indian firms that have seen it all – World Wars, the freedom struggle

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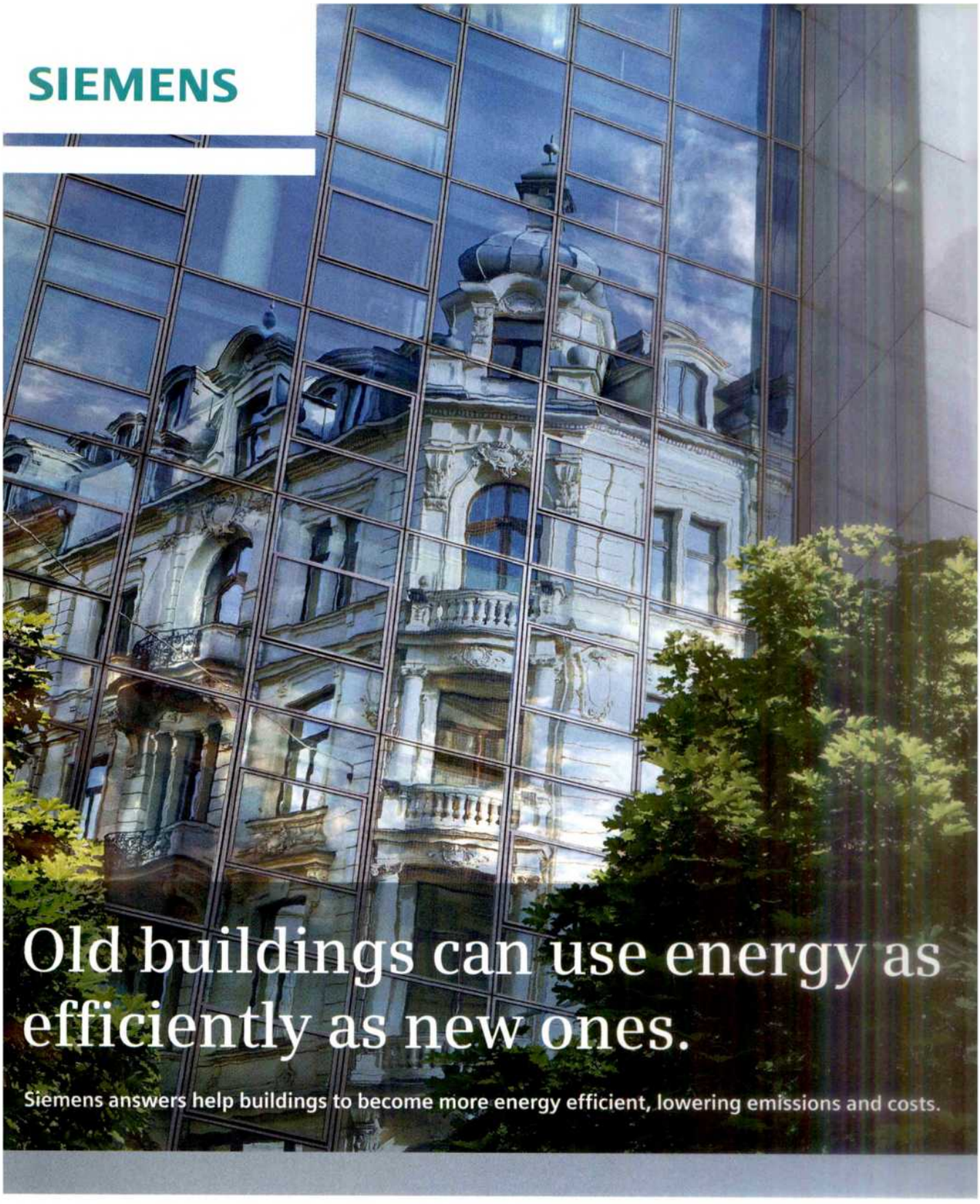

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We picked the best and brightest money managers in India and awarded them at a ceremony in New Delhi.

- Watch videos of each CFO talking about his management style and the secret of his success.
- See videos of speeches by chief guests Pranab Mukherjee and Montek Singh Ahluwalia.

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Blogs

E. Kumar Sharma
The draft microfinance bill comes too late for some troubled Andhra Pradesh-based MFIs.

businesstoday.in/kumar

Anusha Subramanian
Indian television tackles the homosexuality taboo.

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WEB EXCLUSIVES

In Honour of Mumbai

Photos, blog posts and perspectives from our correspondents in Mumbai on the July 13 bomb blasts.

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Federer Still First for Brands

Despite his loss at Wimbledon, Federer hangs on to his spot as top brand ambassador.

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Slow Burn in Telangana

Renewed agitation over Telangana statehood has some investors backing away, even while others power ahead.

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Just Graduated? Start-up Today

Why a start-up can be a good first employer.

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MARUTI SUZUKI
Way of Life!

076

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Manpreet

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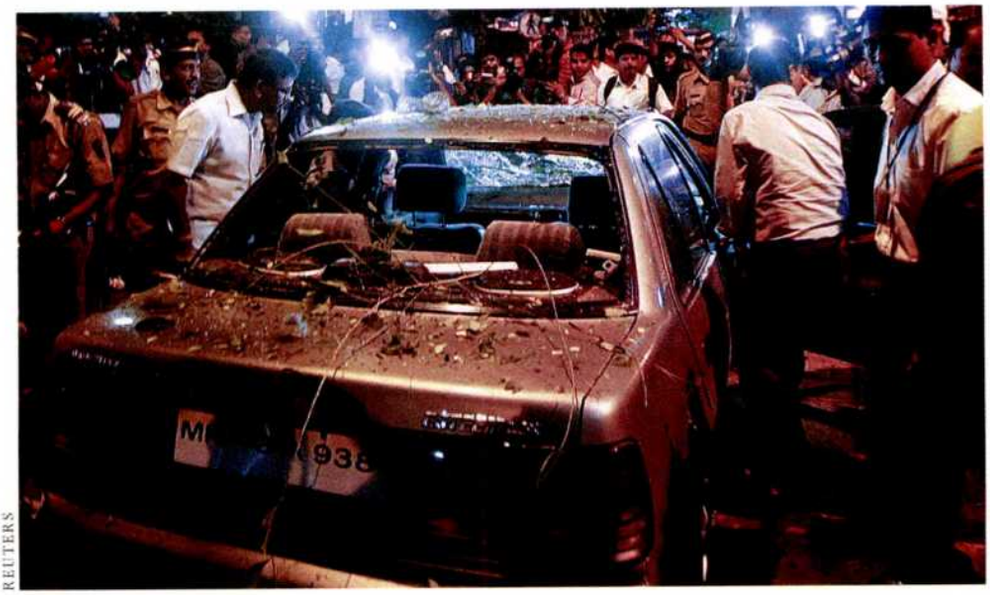


REUTERS

Mumbai mayhem and after: Serial blasts shook India's financial capital on July 13. In a spirit of resilience, markets and the business community have maintained calm and there is no panic selling by foreign institutional investors.

Corporate

The corporate world heaved a collective sigh with the shifting of Jairam Ramesh from the Ministry of Environment and Forests to Rural Development in Prime Minister Manmohan Singh's Cabinet reshuffle on July 12. Ramesh's activist role had upset many, including some agri-biotech firms. Congress spokesperson Jayanthi Natarajan, a low-key politician, took over from Ramesh. Otherwise, it was status quo at the top deck of the Cabinet. *See Page 30*

Land acquisition continues to occupy headlines. In the latest round, the Karnataka government has offered to shift Korean major POSCO's mega steel project away from plant at Halligudi in Gadag district. Stiff resistance from local farmers forced the government's hand. The new location for the plant has not been identified.
See *No Man's Land*, Page 36

Will India get its energy act right (see *Shock Around the Corner*, page 48)? It had better. Competition for minerals is intensifying. ArcelorMittal, the world's largest steelmaker, and Peabody Energy, the largest private-sector coal miner, sweetened their joint bid for Australia's Macarthur Coal to $5 billion. It is the world's biggest producer of a type of metallurgical coal that is cheaper than the coke used by steelmakers.

The division of the ₹19,000-crore RPG Enterprises between founder RP Goenka's two sons, Harsh and Sanjiv, announced last year, will now be clearer to outsiders. On July 13, Sanjiv unveiled a new identity, RP-Sanjiv Goenka Group, for his companies. He will continue as Vice Chairman of RPG Enterprises. His group has five verticals with a combined turnover of ₹ 9,000 crore.

In the tech world, the country's top two software exporters seem to read the global conditions differently. Infosys, the second largest, said on July 12 that it had met its revenue guidance for the April to June quarter and stuck to its full-year revenue growth forecast of 18 to 20 per cent. It talked of a volatile global economy which could slow client spending. Two days later, TCS, the largest, announced a better-than-expected rise in quarterly profit and said the uncertain global economy was unlikely to hurt demand. The most downbeat bit that came from the company was that it remained watchful.

IBM has won a 10-year contract to provide IT solutions to Bharti Airtel in 16 countries in Africa. This is the second 10-year contract between the two companies, and is expected to help Bharti Airtel scale up its network and systems to 100 million customers by 2012.

Media moghul Rupert Murdoch is on the retreat from Britain. First, when his tabloid *News of the World* was rocked by a phone hacking scandal, in which families of children murdered, dead soldiers and bombing victims were at the receiving end of some unscrupulous tactics, he shut down the paper. But this did not appease public and political anger, and his News Corp. was forced to withdraw its $12 billion bid for the 61 per cent of broadcaster BSkyB it does not already own. Analysts are unanimous that Murdoch's political influence over both left and right parties will be

SANTOSH

severely curtailed. US authorities, too, are breathing down News Corp. for possibly violating bribery laws.

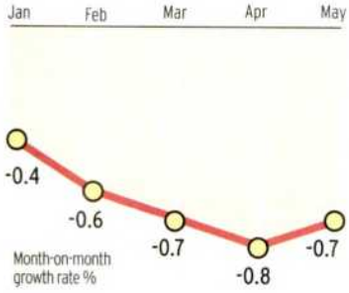
Dominique Strauss-Kahn, who lost his job as head of the International Monetary Fund after allegations of molestation in the United States, is bouncing back. Not only did the case against him fall apart, a recent poll in his home country France shows that voters favour him for the Presidency in the 2012 elections. Incumbent Nicolas Sarkozy is more unpopular than any sitting president since 1958.

Economy

The index for industrial production grew by 5.6 per cent in May, a seven-month low, against 8.5 per cent during the same period a year ago. To blame: a dismal performance by the mining and manufacturing sectors. April's industrial output figure was also revised downwards to 5.7 per cent from 6.3 per cent as against 13.1 per cent year-on-year.

India Outlook

OECD growth cycle outlook indicates a slowdown



The new mining Bill is expected to reach the Cabinet soon. The draft Mines and Minerals (Development and Regulation) Bill, 2011, requires coal mining companies to share 26 per cent of their profit with people affected by a mine project. Such people will also get the entire royalty that miners of other minerals pay the state in which the project is located. The Bill will be tabled in the monsoon session of Parliament.

Inflation rose to 9.44 per cent in June, mainly because of rising prices of fuel and manufactured products. This may prompt the Reserve Bank to raise key rates again in its quarterly policy review later in July. Inflation, as measured by the Wholesale Price Index, was 9.06 per cent in May. It was 10.25 per cent in June 2010.

1.6%

Year-on-year growth of India's car sales in June. This compares with 7.3 per cent growth in the first quarter sales of the current financial year, according to the Society of Indian Automobile Manufacturers. The coming festive season demand is keeping hopes high for now.

$50.2 bn

US trade deficit in May, the highest since October 2008. Imports rose 2.6 per cent to $225.1 billion as oil prices jumped. The trade gap with China widened by over 15 per cent to $25 billion.

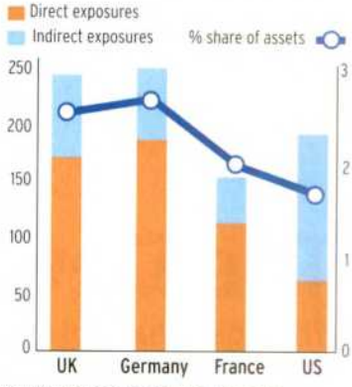
$5.8 bn

Private equity investments in the first six months of 2011, according to global consultancy Ernst & Young. A large number of deals are in infrastructure.

Markets

Date with Debt

US banks have the highest indirect exposure to eurozone nations' debts

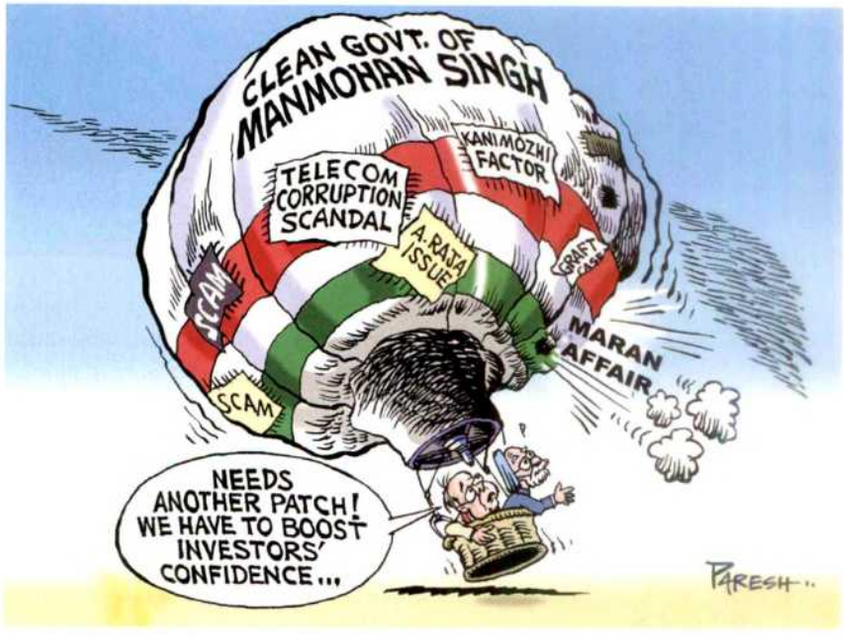


Source: Bank of International Settlements, DEC Prospects Group calculations.

The eurozone crisis is keeping markets on the edge, with the euro and stocks falling worldwide. After Greece, it is now the turn of Italy and Spain, the eurozone's third and fourth biggest economies, to reach default zone. Leaders argued over a proposed summit as the threat to the 12-year-old single currency and a row over private creditors for Greece rescue plan escalated.

Coming Up

State Bank of India (SBI) will seek the government's nod to raise ₹20,000 crore through a rights issue soon, according to the bank's chairman Pratip Chaudhuri. The government would continue to hold 59 per cent stake in the bank after the rights issue, he said. SBI had earlier announced its intention of coming out with the rights issue in the last quarter of 2010/11. The government will have to contribute up to ₹12,000 crore to subscribe to the issue. The bank had raised over ₹16,000 crore through a rights issue in 2008, even though it came after the Lehman Brothers collapse.



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28 Tunnel of Patience

The Devil in the Detail

When data cannot be fully trusted, policy making becomes a tricky exercise, says Samiran Chakraborty

2 months is the lag for GDP and IIP data

The professional life of a market economist revolves around data. Every new data point is, in principle, an opportunity to reassess economic outlook and react accordingly. So economists demand wide data coverage which is timely, transparent and trustworthy. Recently, Reserve Bank of India Governor D. Subbarao acknowledged issues relating to data that have been bothering economists for a long time.

With India's relative economic prosperity, financial market development, and policy making complexity, the demand curve for data has shifted upwards. Often, the supply of data has not kept pace with the demand. Even as analysts and policy makers debate the growth versus inflation trade-off, timely data for these variables is sketchy. On growth, the gross domestic product, or GDP, and Index of Industrial Production, or IIP, data come with a lag of two months. There is scope to reduce

this lag, but a more immediate concern is inadequate data on GDP sub-components. For example, India has no data on consumer spending, which other countries collate from retail sales. Data on employment and capacity utilisation is also non-existent. We, therefore, have very little sense of the slack in the economy at any point. Similarly, for inflation, the debate over whether the wholesale price index, or WPI, or the consumer price index, or CPI, should be the preferred metric remains unresolved. The search for a harmonised CPI remains elusive. In its absence, WPI has become the choice of the market. But it is mostly an indicator of supply-side price pressures and does not capture price movements in the services sector at all.

Frequent and substantial data revisions are the second sore point. GDP growth numbers undergo at least four revisions over a two-year period. The initial estimate is extrapolated from just a few indicators, while the final number is often based on completely different sources of data. For example, as a proxy for manufacturing activity within GDP, IIP is replaced by data from the Annual Survey of Industries; we have observed that the IIP data has consistently underrepresented industrial growth. WPI data, which is revised two months after its initial release, is also prone to large revisions, often in excess of 100 basis points. Even export and import data undergo revisions throughout the year. We sometimes wonder whether we should be forecasting based on the initial release (which has an immediate market impact) or the revised data, which is likely to better reflect the state of the economy. Then, there are large revisions to data when the base year is changed. So the economy often looks different in the rear-view mirror. Changes in base years also bring in different methodologies for estimating data. Time-series data prior to the new base year becomes non-comparable and irrelevant.

CHAKRABORTY'S TAKE

- Existing data suffers from inadequate coverage, frequent revisions and issues of comparability and reliability
- IIP data underrepresents industrial growth; WPI data is prone to large revisions
- These render the task of constructing the past and the future difficult
- Policies based on such information may not yield intended results

The third big challenge is data comparability. Data on production of capital goods is often taken as a proxy for investment in the economy. However, in the recent past, investment growth as part of the GDP data has been declining consistently, but capital goods production within the revised IIP series has held up well. Explaining these anomalies can be quite onerous.

The fourth factor relates to reliability of data. In the provisional IIP and WPI data, the non-response rate among manufacturers to the questionnaires is very high – often in excess of 50 per cent. While this improves in the revised series, more needs to be done to improve its reliability from the start. Several commodities in the WPI basket undergo price revisions very infrequently. For example, the price of petroleum was unchanged from November 2010 to June 2011, even though international crude prices moved considerably during this period. With close to 90 per cent of the economy in the unorganised sector, we are often unsure whether the IIP or WPI data – which are collected mostly from the organised sector – are an accurate reflection of what is happening in the economy. Data on the rural economy is also sparse, often failing to reflect India's macroeconomic transformation.

As a consequence of these data challenges, even constructing a coherent story of what happened in the past becomes tricky, let alone forecasting what will happen in the future. Policy making is conducted in a world of imperfect information that could potentially lead to sub-optimal responses. Economists cannot avoid looking into the crystal ball, but better quality of data would help us to do so more accurately.

The author is India Head of Research at Standard Chartered Bank

WORDSMITH
(NEW WORDS IN BUSINESS)

Whitespace

What it means: The word is used to indicate a part of a page that is not covered by print or graphic matter. In boardrooms, this term is used to indicate an unrealised potential or opportunity.

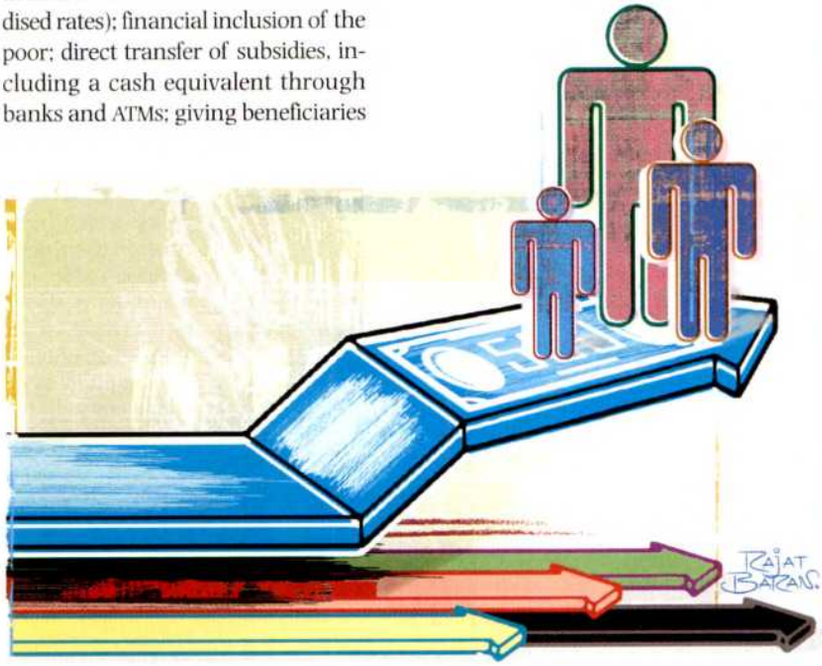
Origin: During the dotcom boom, the Internet was termed the 'whitespace' and companies and individuals were working out business opportunities that would be successful online.

Usage: "The key responsibility of a company's strategy team is to identify the whitespace in its sales and marketing."

Cash Treatment

Direct transfers are set to rid the subsidy system of its ills. By SANJIV SHANKARAN

What is proposed: With the task force on subsidy reforms having submitted its interim report, the government finally has a roadmap to streamline its subsidy mechanism. The panel, headed by Unique Identification Authority of India, or UIDAI, Chairman Nandan Nilekani, has suggested a host of measures: doing away with the dual pricing mechanism (which makes goods available at both market and subsidised rates); financial inclusion of the poor; direct transfer of subsidies, including a cash equivalent through banks and ATMs; giving beneficiaries the right to choose the mechanism of subsidy they want; and the creation of an online subsidy management system. The report paves the way for the rollout of a pilot project in Tamil Nadu, Assam, Maharashtra, Delhi, Rajasthan and Orissa, the results of which will be included in the final report of the task force to be submitted in December.



What will change: At present, the system of dual pricing provides an incentive for illegally diverting products and profiting from the difference in their prices. This, along with the inability of the poor to enforce their rights fully, has led to many legitimate beneficiaries being denied subsidies. The new delivery mechanism seeks to remove these anomalies by compressing the layers of the distribution chain, which will eventually lead to direct transfer of subsidies to beneficiaries. Initially, direct cash transfers will be made only for kerosene, cooking gas and fertiliser, using an electronic back-end and Aadhar-enabled bank accounts. Aadhar is a 12-digit identity number being issued by the UIDAI which is linked to basic demographic information and biometric details of beneficiaries.

"The idea is to make subsidy better targeted and more efficient," says D.K. Srivastava, Director, Madras School of Economics. "Direct transfers are far better than the current system." Subsidies make up between 11 and 13 per cent of government expenditure. For 2011/12, the budget has pegged subsidies at ₹1.43 trillion (one trillion equals 100,000 crore), or 11.4 per cent of the government's expenditure.

Challenges: The finance minister in his budget speech said the recommendations of the task force in its final report would be implemented by March 2012. However, the task force has suggested streamlining the system in phases as cash transfers will hinge on scaling up bank penetration with the help of Aadhar. "Aadhar will be an important piece of identity," says Anirban Roy, Managing Director, SEED Financial Services, which functions as a business correspondent for banks. "Eventually, Aadhar will become KYC (know your customer)," he adds, explaining that the number will be a single source to meet a bank's verification needs. Moreover, the success of an exercise of this magnitude will depend a lot on political will, as well as on "good governance... a structured transition plan, meticulous project management, effective supervision, audit and execution", in the words of Nilekani.

Global experience: Cash transfers have been extensively tried in Central and South America. Mexico, a few years ago, experimented extensively with conditional cash transfers, or CCTs, where cash payment to the beneficiary was linked to fulfilling some conditions. The Janani Suraksha Yojana, a government programme to incentivise women to use a modern health facility for childbirth, runs on the concept of CCT. Recently, Brazil was held up by economists as an example of a country that has made extensive use of CCT to cushion its economically-vulnerable sections without interfering with the price mechanism.

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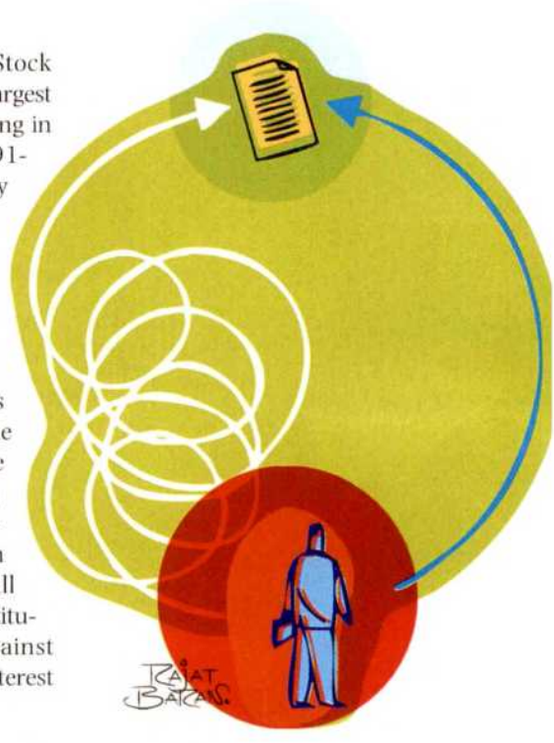
Secure Your Interest

A new derivative product makes it easier to hedge against interest rate fluctuations. By MANU KAUSHIK



What's new: The National Stock Exchange, or NSE, the country's largest bourse, recently introduced trading in interest rate futures, or IRF, on 91-day treasury bills. T-bills are money market instruments issued by the government to meet its short-term requirements of funds. IRF on 91-day T-bills will be traded in the currency segment of the exchange and will be settled in cash. Besides, it will not attract securities transaction tax, or STT. Given the volatile interest rate scenario, the NSE expects the product to get a positive response from banks, mutual funds, companies and foreign institutional investors, as it will provide them with a credible institutional hedging mechanism against short-term risks arising from interest rate fluctuations.

What will change: In August 2009, the NSE had launched IRF contracts on 10-year government bonds, but the product failed to generate much interest beyond the initial period. Since those contracts could only be settled through physical delivery of the securities, their trading was marked by thin volumes and low participation, and there was a lack of hedging interest in them. The cash settlement of the new product will make it more liquid. "While the introduction of such a product will help develop the market, its success depends on how fast market players adopt it," says Dwijendra Srivastava, Head of Fixed Income, Sundaram Mutual.

Benefits: Apart from the lower cost of trading in the absence of STT, a major advantage is that the new product allows players to trade in excess of the supply of the underlying T-bills. Says Srivastava: "In this, one can take huge bets on the interest rate movement even if the total trading exceeds the underlying supply of securities." Also, since the paper duration is just 91 days, the impact of rising yields will not be huge compared to longer-duration bonds such as 364-day, and five- and 10-year bonds, he adds.

Global experience: At NYSE Liffe, US, the futures exchange of NYSE Euronext, IRFs are available on short-term treasury bills and bond instruments such as treasury notes with two-, five- and 10-year maturity and treasury bonds with 25-year maturity. Large financial institutions show a greater tendency to use these hedging devices to minimise their risks. "The product offered by NSE is a plain-vanilla derivative. RBI has inhibitions about allowing trading in such products because of the high risk associated with them," says Srivastava.

SUCCOUR FROM ABROAD

Indian companies turn to international bond markets for funds

$59.1 BILLION
The total sum raised through domestic and international debt during January-June 2011

$7.8 BILLION
Foreign bond issuances by companies during the period, up 250 per cent over last year

37 PER CENT
The drop in domestic bond market borrowings compared to the same period last year

11 PER CENT
The fall in domestic debt market borrowings over January-June of last year

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A machine to brew espresso at home, and another sleek smartphone

Lavazza Blue 850

Espresso is made by forcing high pressure steam through powdered coffee beans, but the problem is that operating an espresso machine usually requires a fair amount of skill. This new machine from Lavazza, owners of the Barista brand of coffee outlets in India, takes away the need for skill. The coffee and tea pouches cost around ₹25 each, a lot less than what you would pay for coffee at any coffee outlet. You can impress your friends, too, with this machine.

Lavazza Blue 850

Makes excellent espresso, pouches are moderately priced

Large and bulky, pouches are not easily available

Price: ₹30,000

Android 2.3

Superfast processor, great 8-megapixel camera

Bulky form factor, screen not as impressive as main competitor

Price: ₹32,700

HTC Sensation

It is the third dual-core Android 2.3 mobile device on the market competing against the LG Optimus 2X, the Samsung Galaxy S2 and the first running Qualcomm's Snapdragon processor. All things being equal, the Sensation's main rival will be the Galaxy S2. On a few fronts, the Taiwanese device loses to its Korean competitor – particularly on the screen and the form factor front. But HTC's 'Sense' user-interface feels easier to use, and benchmarks aside, the Sensation feels faster when running applications. For most buyers, the Samsung's amazing form-factor would win out, but for some of the nerds, the Sensation might fit the bill.

KUSHAN MITRA

BT-ERNST & YOUNG

Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

B.K. Goenka, Chairman, Welspun Group

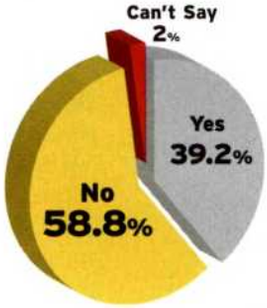
US-based private equity investor Apollo Global Management has announced acquisition of stakes in Welspun Group entities. While Apollo has bought a 13.3 per cent stake in pipe maker Welspun Corp., or WCL, for ₹1,305 crore, WCL and Apollo have acquired 87.5 per cent and 12.5 per cent, respectively, in Welspun Maxsteel, or WMSL, a direct reduced iron producer, for ₹945 crore altogether. The deal is expected to help Welspun in establishing an integrated business model – from iron ore to steel pipes – while enhancing its capabilities and enabling it to compete in the global oil and gas pipeline market. WMSL is setting up a 1.5 million tonne per annum high-end steel facility.

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (₹ CR)	STAKE (%)
Welspun Corp.	Apollo Global Management	Metals and mining	Private equity	1,305	13.3
Welspun Maxsteel	Welspun Corp., Apollo Global Management	Metals and mining	Acquisition	945	100
Shriram Properties	TPG Capital	Real estate	Private equity	454	15
Classic Stripes	Navis Investment Partners (Asia)	Automotives	Private equity	450	NA
ING Vysya Bank	ChrysCapital, Morgan Stanley, India Advantage Fund	Financial services	Private equity	300	5
Cambridge Builders	Xchanging Technology Services India	Technology	Acquisition	300	100
Nesher Pharmaceuticals	Zynesher Pharmaceuticals	Pharmaceuticals	Acquisition	273	100
Avitel Post Studioz	HSBC Principal Investments	Media and entertainment	Private equity	273	NA
Cobra Beer India	Molson Coors Brewing Company	Retail and consumer products	Acquisition	157	NA

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision

*June 7 to July 4, 2011 Not a complete list

Q. Should bribe-givers be excused and only bribe-takers punished?



Results of *BT* online poll; No. of respondents: 151

Most respondents believe the culpability of bribe-givers is no less than that of bribe-takers and, therefore, both should be equally punished. The law against bribing, too, is broadly based on the same philosophy. Some maintain that people give bribes not out of choice, but necessity. This is true in the case of people who pay to get sevices they are legally entitled but are denied by officialdom. In such cases, the onus for the wrongdoing should be on the bribe-taker. But there is an ominous side to bribe-giving also as the recent scams indicate. And if the law starts discriminating between the 'good' and 'bad' bribe-givers, it would result in chaos.

Next poll question:

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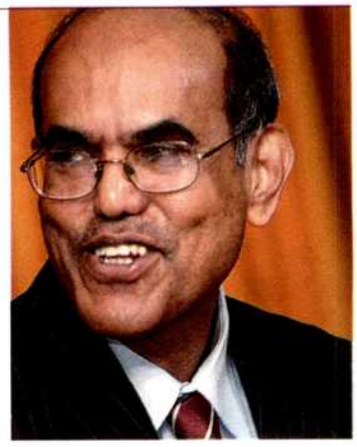


"At the Reserve Bank, we are handicapped by the reliability of some of the basic data that we need to use in policy calculations."

Duvvuri Subbarao, *RBI Governor, on how unreliable Indian statistics can be, in* Business Standard

"I am not the director of a particular group of countries. I am the director of the entire institution."

Christine Lagarde, *new IMF chief, speaking to the organisation's staff in a video, quoted by* Bloomberg

"The oil ministry must facilitate those who are producing oil and gas to meet our energy needs and not punish them."

Murli Deora, *former Corporate Affairs Minister, in an interview, in* The Economic Times

"The threat of inflation has already spread to developed countries... we absolutely cannot be blindly optimistic and lower our guard."

Wen Jiabao, *Chinese Premier, at a news conference with German Chancellor Angela Merkel, in* The Wall Street Journal

"You cannot go on forever... I wish you let me enjoy life the way I want to."

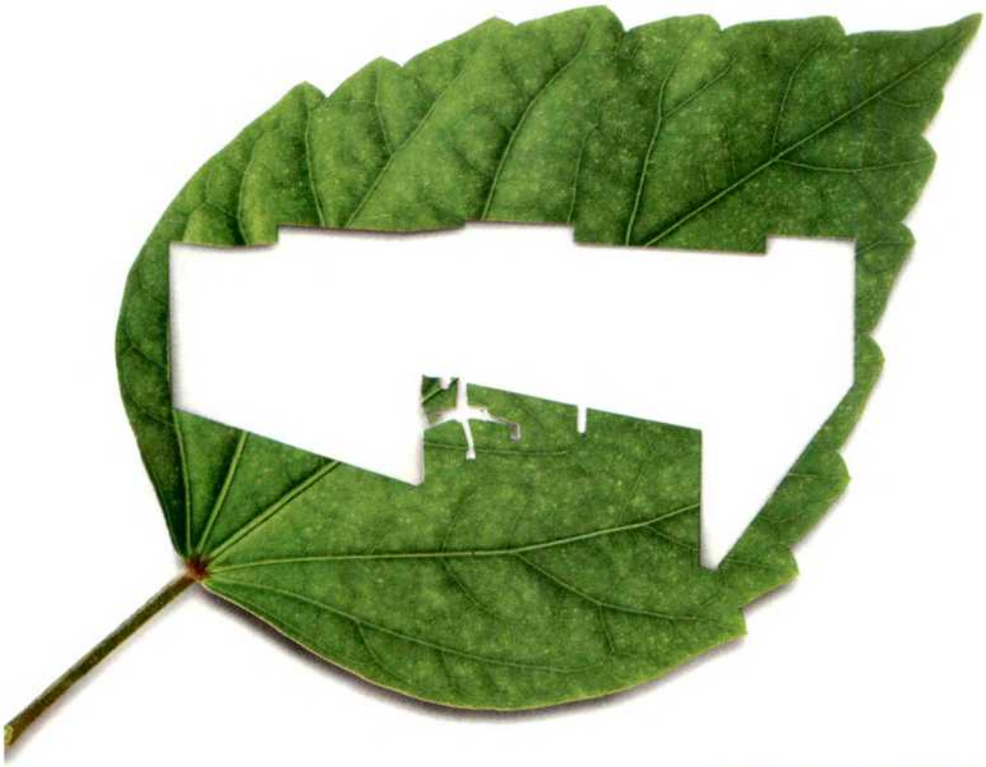
Ratan Tata, *Chairman, Tata Group, responding to shareholders' request that he continue to head the group, in* Business Line

CLASSIC BUSINESS QUOTE

"You never really hear the truth from your subordinates until after 10 in the evening."

Jurgen Schrempp, *Former CEO, DaimlerChrysler*

Godrej interio



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THE TOP 10 Most Watched Ads

June 2011

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1 Rank

Seconds on air: 2,81,390

Pureit Water Purifiers — GRPs 853

2

Seconds on air: 3,03,815

Complan — GRPs 715

3

Seconds on air: 2,36,745

Sensodyne Toothpaste (GSK) — GRPs 698

4

Seconds on air: 2,14,750

Johnson Baby Care Range — GRPs 641

5

Seconds on air: 2,01,080

Godrej No 1 Saffron & Milk Cream — GRPs 636

6

Seconds on air: 1,11,100

Sun Direct — GRPs 626

7

Seconds on air: 1,68,015

Lux Fresh Splash — GRPs 617

8

Seconds on air: 2,45,895

Dettol Cool Soap — GRPs 603

9

Seconds on air: 3,14,340

Pepsodent Germicheck Magnets — GRPs 602

10

Seconds on air: 2,46,990

It's time to get real. The twin concerns of the slowdown and rising inflation are being reflected in advertisements, too. Fittingly, topping the ad charts this month is the one of Muthoot Finance offering loans against gold. Muthoot has created a new category in advertising, being an early starter in the space, and is now well ahead of its competitors.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK	BRAND	GRPs
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12	Nokia X3 02-Airtel	596
13	Chevrolet Spark	556
14	Zydus Acti Life	538
15	Kustody Deodorant for Women	535
16	Sprite	528
17	National E-governance Plan	526
18	Boost	514
19	Colgate Sensitive Pro-Relief	507
20	Pond's Pure White Face Wash	494
21	Fair & Lovely Multivitamin	488
22	Cadbury Gems	487
23	Colgate Dental Cream	486
24	Complan Nutri-Grow	484
25	Colgate Active Salt	479

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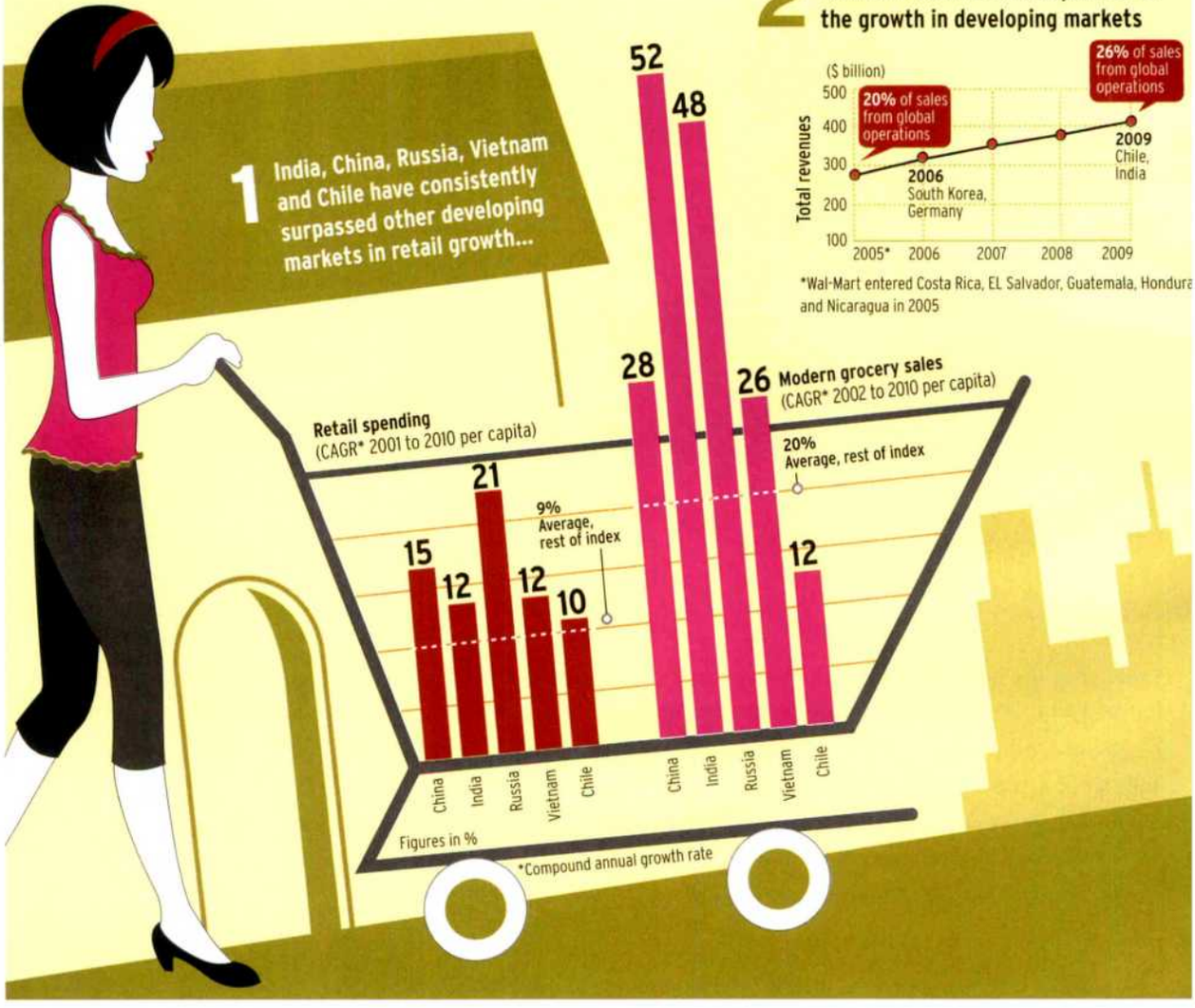
BIG, FAT SHOPPING CART

India and China remain attractive for retailers, but several South American markets have outshone the Asian giants, shows a study by A.T. Kearney

Graphic by **Santosh Kushwaha**



5 STEPS TO HERE

WHAT A DEAL, SIR*JI*

1

October 2008
Idea Cellular holds overlapping licences in six circles after it acquires Spice Communications.

2

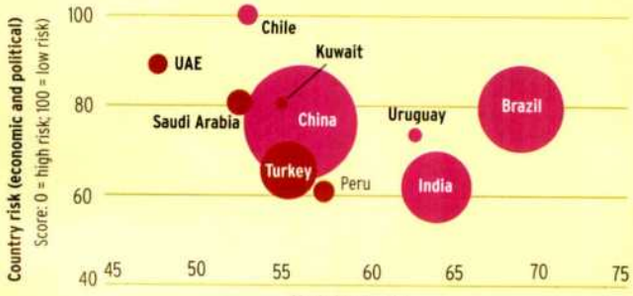
February 2011
The Additional Solicitor General of India says the merger violates M&A norms, suggests action against Idea.

3 India's growth fundamentals and population make for a very favourable retail environment

2011 Rank	Global Retail Development Index score	Change in rank compared to 2010
Brazil	71.5	+4
Uruguay	65.5	+6
Chile	64.7	+3
India	63	-1
Kuwait	61.3	-3
China	61.2	-5
Saudi Arabia	59.5	-3
Peru	58.2	+1
UAE	58	-2
Turkey	57.8	+8

Figures represent scores on a scale of 0 to 100. The GRDI score of a country is the average of its scores (0 to 100) in terms of Market Attractiveness, Country Risk, Market Saturation and Time Pressure (how imperative it is to enter a market)

4 A powerful and discerning consumer class makes India attractive to retailers



5 While India is a hot market for retailers, it presents its own difficulties because:

- Government regulations permit entry of only single-brand retailers
- They can enter the market only through an Indian partner
- Access to the right real estate can be prohibitively expensive
- There are cultural differences between partner companies

Source: A.T. Kearney

BT Retro
June 1, 2008

New Schools of Thought?

THEN: If things go as planned, by April 2011, the Indian School of Business, or ISB, Hyderabad, could begin offering management programme out of its new campus in Mohali, Punjab. "I must say that it is not yet finalised and the Punjab government has yet to approve our proposal but we are hopeful that it may happen, and the land will be transferred in the next two to three months," says Dean M. Rammohan Rao.

He explains that the genesis for this proposal lies in the plans of the Punjab government for a Knowledge City in Mohali: within this city, it has proposed to house a national institute for nanotechnology, a biotech institute, an institute of science and a premier management institute. For ISB, Rao says, it will be a capacity-building exercise and an opportunity to stretch its wings to a new location. ISB is planning to start with a batch of 140 students and gradually reach a strength of 350 in five years. For this, it is hopeful of getting around 70 acres. The project is expected to involve investments of ₹250 crore to ₹300 crore. Three to four investors have expressed interest to pitch in with some ₹200 crore.

NOW: Dean Rao is long gone from ISB, resigning after the accounting scandal at Satyam Computer, where he was a board member, but ISB's Mohali campus, its first outside Hyderabad, will begin offering courses in April 2012 with a 210-strong batch.

3

April 7, 2011
The Department of Telecom, or DoT, imposes a penalty of ₹300 crore on Idea for holding dual licences.

4

April 25, 2011
DoT slaps a fine of ₹27.65 crore on Idea and Spice for the delay in the rollout of services in five circles.

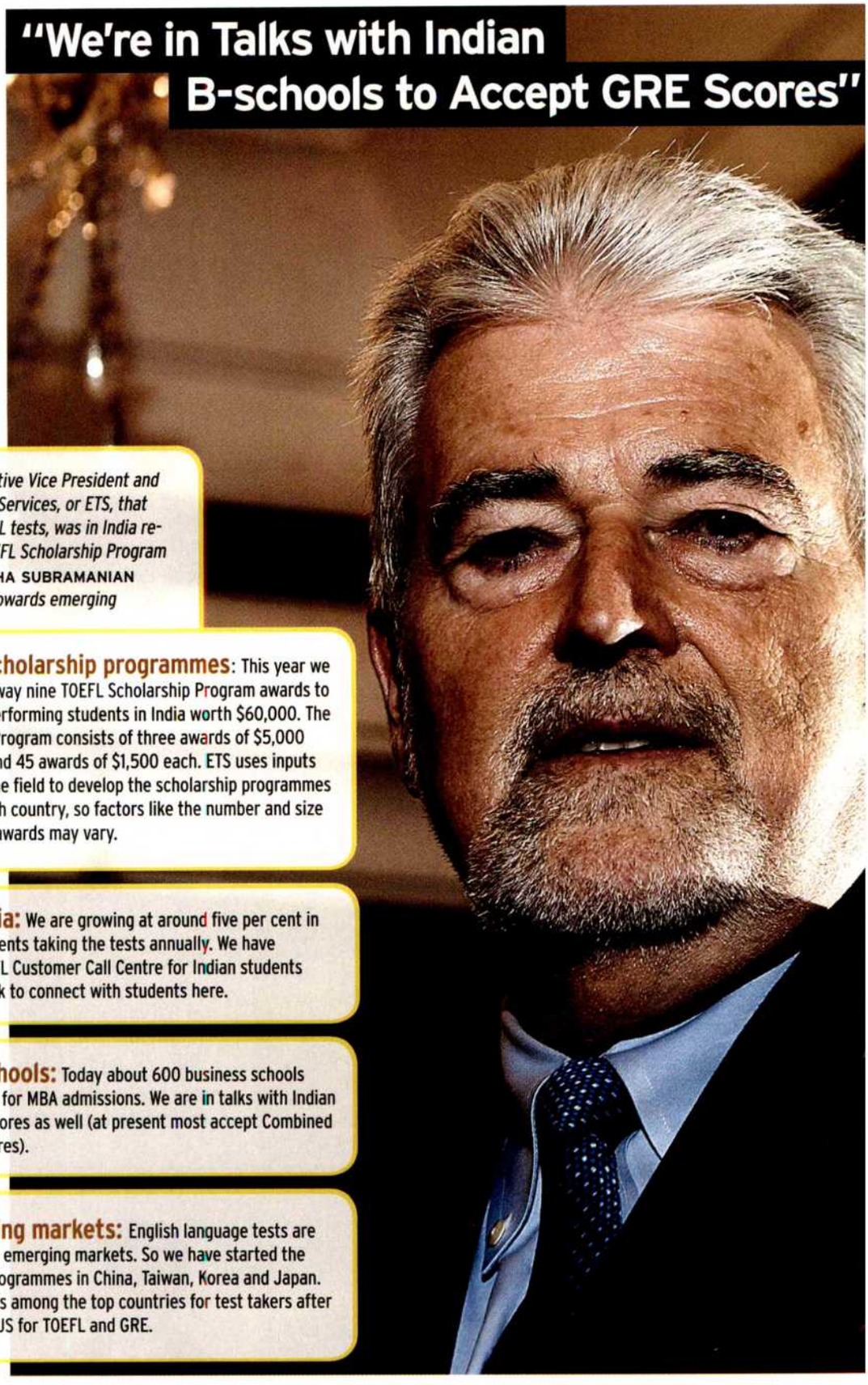
K.M. Birla

5

July 6, 2011
Idea gets a breather with the telecom tribunal restraining the DoT from imposing the penalty.

ANAMIKA BUTALIA

"We're in Talks with Indian B-schools to Accept GRE Scores"



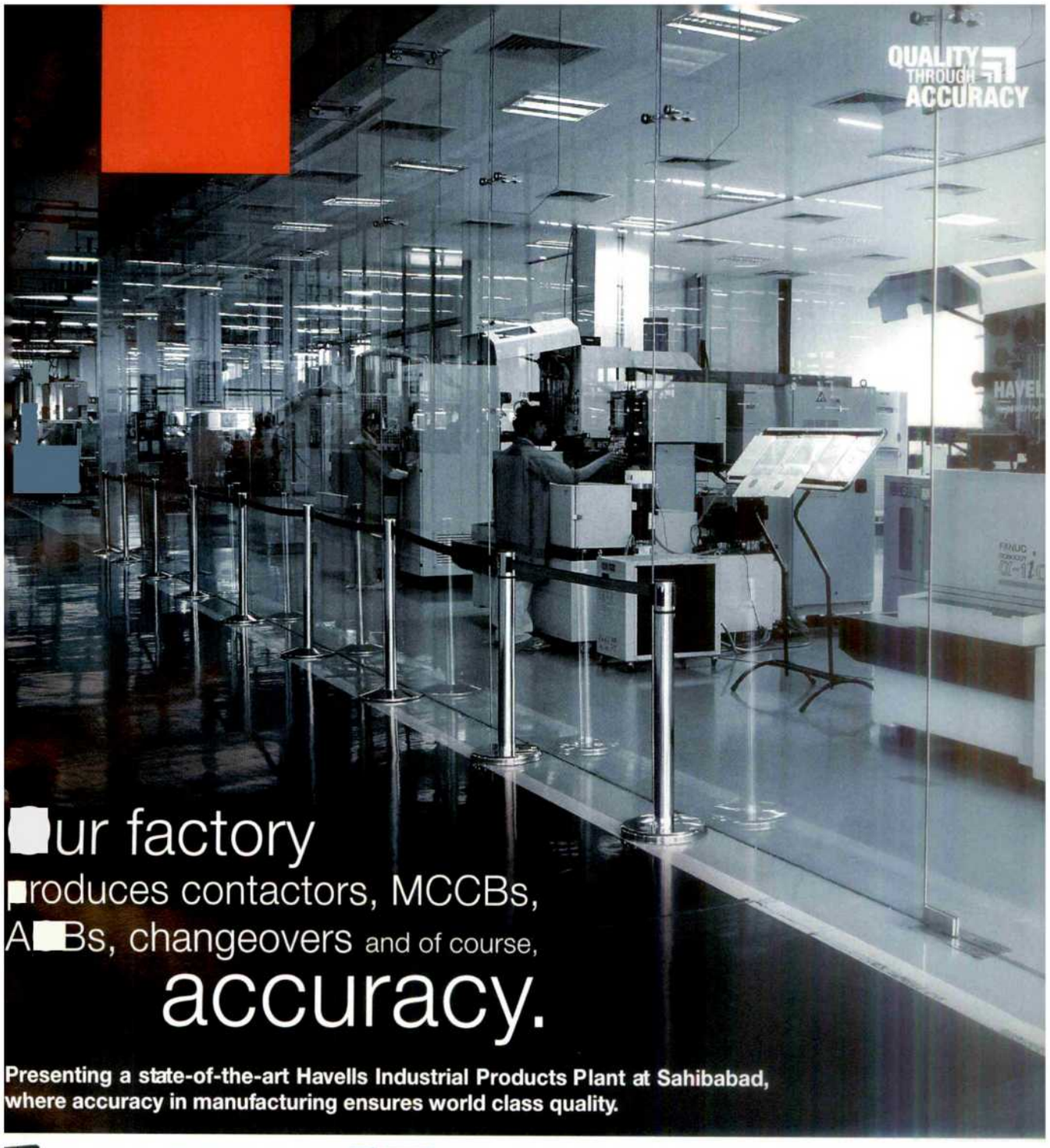
WALT MACDONALD, *Executive Vice President and COO of Educational Testing Services, or ETS, that conducts the GRE and TOEFL tests, was in India recently to give away the TOEFL Scholarship Program awards. He spoke to* **ANUSHA SUBRAMANIAN** *about ETS and its outlook towards emerging markets and India. Edited excerpts:*

On scholarship programmes: This year we gave away nine TOEFL Scholarship Program awards to high-performing students in India worth $60,000. The China Program consists of three awards of $5,000 each and 45 awards of $1,500 each. ETS uses inputs from the field to develop the scholarship programmes for each country, so factors like the number and size of the awards may vary.

ETS services in India: We are growing at around five per cent in India in the number of students taking the tests annually. We have recently launched the TOEFL Customer Call Centre for Indian students and are also using Facebook to connect with students here.

GRE scores in B-schools: Today about 600 business schools globally accept GRE scores for MBA admissions. We are in talks with Indian B-schools to accept GRE scores as well (at present most accept Combined Admission Test, or CAT, scores).

On emerging markets: English language tests are growing in the emerging markets. So we have started the scholarship programmes in China, Taiwan, Korea and Japan. In fact, China is among the top countries for test takers after India and the US for TOEFL and GRE.



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HOW THINGS WORK

Testing for Dope

Last fortnight, Indian sports witnessed its worst doping scandal with eight top athletes failing drug tests. Use of performance-enhancing drugs in sports has increased because of the large economic and other rewards for sporting achievements. Anti-doping agencies conduct regular drug tests to keep tabs on sportspersons.

HOW IS THE DRUG TEST CONDUCTED? Instead of using blood samples, which require trained medical staff, anti-doping test is done on urine samples. To prevent tampering with a sample, elaborate security procedures are followed from the time it is taken from an athlete till it reaches the laboratory.

Dope-tainted: Hurdler Jauna Murmu

WHAT DO THE TESTS LOOK FOR? The presence of banned substances like steroid precursors that work like steroids or complex anabolic androgenic steroids like tetrahydrogestrinone, a synthetic variation of testosterone that enhances muscle-building (anabolic) and 'masculinising' (androgenic) characteristics.

HOW DO THESE DRUGS ENHANCE PERFORMANCE? They enhance athletic performance when combined with strenuous physical training by making muscles bigger, stronger and faster, and help in speedy recovery after rigorous exercises.

JUST WONDERING

Tunnel of Patience

It was in 1983 that an all-weather, 8.8-km-long tunnel was proposed to be built at the Rohtang Pass leading to the Kashmir Valley. But it remained just an idea until June 2000 when former Prime Minister Atal Bihari Vajpayee gave it the go-ahead. The tunnel was to be built by the Border Roads Organisation at a cost of ₹500 crore, and completed by 2007. As it happened, Vajpayee inaugurated the project only in 2002, and the actual drilling only started in June 2010. As a result, both the Manali-Leh and Amritsar-Srinagar-Leh highways that use the Pass to enter the Valley still remain closed for six months a year due to heavy snowfall. Considering it took 27 years to get this far, the new deadline of 2015 and ₹1,500-crore outlay for the project seems unrealistic. Will the government surprise the sceptics?

COMPILED BY ANAMIKA BUTALIA

QUIRKY

Political Snack

'Vada pav', the hot and spicy snack beloved of Maharashtrians, is generating heat of a different kind in the state. The Shiv Sena, which calls itself the voice of the Maharashtrian people, recently set up stalls to sell 'vada pav' in Mumbai, apparently believing that the way to people's hearts was through their stomachs. But that was too much to digest for a rival group, Swabhiman Sanghatan, which opened its own 'vada pav' stalls alongside, naming them after Chhatrapati Shivaji to boot. A third outfit has now joined the fray and threatened to launch a stir if Shivaji's name is used to sell 'vada pav'.

SNOOT CORNER

Designer Blends

Single malts may have acquired snob value these days, but Scotch was originally blended Scotch. 'Blended' Scotch means it has been made from a combination of malt and grain whiskies, sometimes derived from more than 50 different distilleries. Usually malt and grain whiskies are blended in a 60:40 ratio. It is the malt whiskies that lend quality, smoothness of taste and character to the blend, and so their ratio is almost always higher in the mixture. Blended whiskies are ordinarily matured for five years, though Scotch connoisseurs prefer those that have been matured for over a decade.

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New Jobs for Old

Ministers who got key roles following the latest Cabinet reshuffle

JAIRAM RAMESH

WAS: Minister of State with independent charge for Environment and Forests

IS: **Cabinet Minister for Rural Development**

STRENGTHS: Smart, focused, close to the Gandhi family

WEAKNESSES: Outspoken, overconfident

WATCH OUT FOR: Land Acquisition Bill, BPL surveys and MGNREGS

DINESH TRIVEDI

WAS: Minister of State for Health and Family Welfare

IS: **Cabinet Minister for Railways**

STRENGTHS: B-school education

WEAKNESSES: Excessive loyalty to West Bengal Chief Minister Mamata Banerjee

WATCH OUT FOR: Safety record and progress on the Dedicated Freight Corridor project

JAYANTHI NATARAJAN

WAS: Congress Party spokesperson

IS: **Minister of State with independent charge for Environment**

STRENGTHS: Articulate, aware, quick-witted

WEAKNESSES: No previous ministerial experience, barring a short stint in the United Front government in 1997/98

WATCH OUT FOR: Pending clearances for projects such as in Jaitapur

SALMAN KHURSHID

WAS: Cabinet Minister for Water Resources, Minorities

IS: **Cabinet Minister for Law**

STRENGTHS: Smart, intelligent, knows his job

WEAKNESSES: Too mild

WATCH OUT FOR: Corruption and other cases the government is fighting in the Supreme Court

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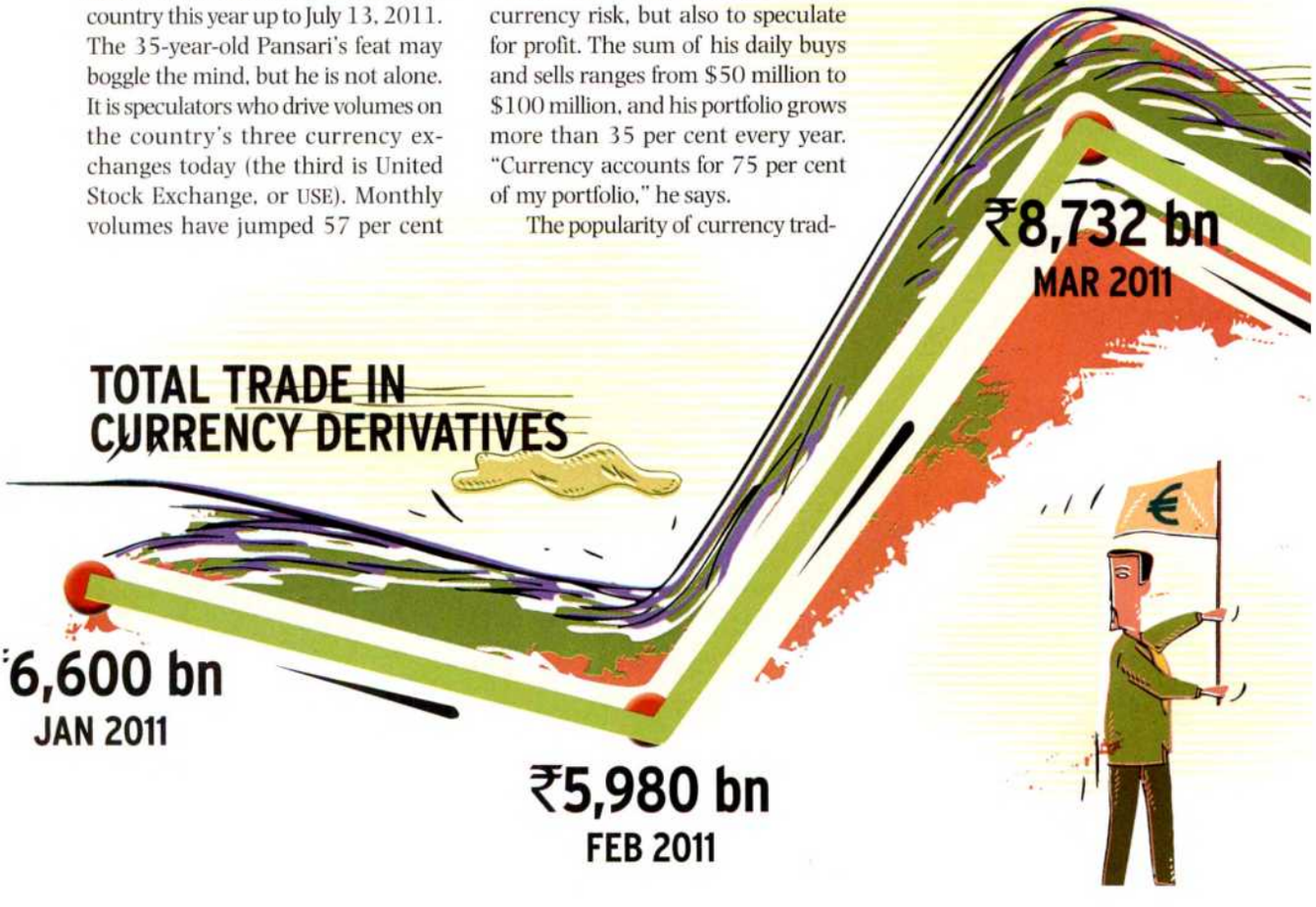
Greenback Mountain

Speculators are scorching the volumes chart in exchange-traded currency derivatives, but hardly anyone is hedging. By RAJIV BHUVA

A billion has nine zeros. Kolkata-based Amit Pansari trades $6 billion, or about ₹26,600 crore, a year in currency derivatives between the National Stock Exchange, or NSE, and the MCX-SX. This is more than the $5.5 billion that foreign institutional investors pumped into the country this year up to July 13, 2011. The 35-year-old Pansari's feat may boggle the mind, but he is not alone. It is speculators who drive volumes on the country's three currency exchanges today (the third is United Stock Exchange, or USE). Monthly volumes have jumped 57 per cent between January and June this year, to cross ₹10 trillion (a trillion is 100,000 crore).

Pansari is a director of Well Made Impex, a foreign exchange advisory company whose earnings come in foreign currency, too. He uses exchange-traded currency derivatives, or ETCDs, not only to hedge foreign currency risk, but also to speculate for profit. The sum of his daily buys and sells ranges from $50 million to $100 million, and his portfolio grows more than 35 per cent every year. "Currency accounts for 75 per cent of my portfolio," he says.

The popularity of currency trading has shot up among equity derivatives traders. Chennai-based Krishna Kumar Nathani, Managing Director and CEO of IndiaBullion.com, a web-based bullion and forex advisory service, was an equities trader until commodity trading was allowed on



exchanges. For a while, his portfolio was split equally between stocks and commodities, and now the allocation is 30:35:35 between stocks, commodities and currency.

Currency trading accounts for more than 60 per cent of global trading, and is the largest segment, followed by commodities and equity. In April 2010, Alpari India, part of the Britain-based Alpari Group, which offers online currency trading services, projected that in volume terms, ETCDs could exceed equity derivatives in India by 2012. Between January and June this year, the average daily volume for equity derivatives on NSE was ₹129,873 crore. Daily ETCD volumes are ₹35,000-40,000 crore. "Commodity markets in India took more than five years to reach this volume," says Pramit Brahmbhatt, CEO, Alpari India. "The ETCD volume moves up to ₹45,000-50,000 crore when equity markets are volatile."

While high volumes indicate interest in ETCDs, what is trouble is that trading is almost totally speculative, and there is little actual hedging of forex risk.

The biggest advantage of ETCDs is price transparency. Besides, they eliminate the risk of default, as exchanges maintain a fund to guarantee trades. They are also easily accessible to all. Yet, only 10 per cent of volumes come from hedgers.

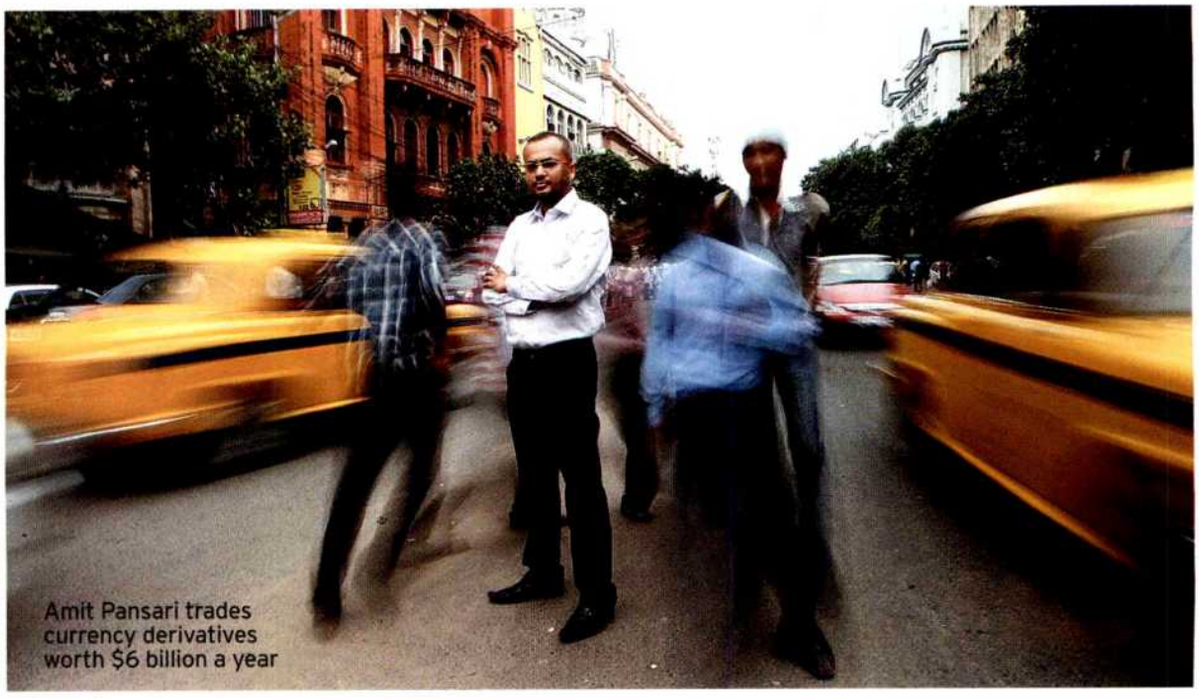
"The volumes are growing, but there's a lack of awareness," says T.S. Narayanasami, Managing Director and CEO of USE, the latest exchange to offer currency derivatives. USE accounted for 22 per cent of the market share in June 2011.

Why Hedgers Stay Away

In India, the traditional hedge against currency risk has been forward contracts on currencies that banks sell over the counter. "The tendency is to get rates from the OTC markets, and the banks' quotes are final," says Narayanasami, who was Chairman and Managing Director at Bank of India before joining USE. The over-the-counter contracts he is referring to are customised by banks, and must be settled at a pre-determined price on a pre-determined date. ETCDs, on the other hand, are standardised trades, closed at the settlement price on exchanges.

While OTC contracts require no margins, buyers and sellers of ETCDs must maintain a margin by means of a deposit with the exchange, in proportion to the outstanding sell or buy value. ETCDs also require a daily marking to market of trade positions. "Keeping track of these is an administrative hassle that exporters prefer to avoid," says Subramanian Dhananjayan, a chartered accountant and adviser to the Forex Derivatives Consumers Forum of Tirupur.

"Banks don't charge margins, but offer clients different rates depending on their relationship and the vol-



SUBIR HALDAR/www.indiatodayimages.com

Amit Pansari trades currency derivatives worth $6 billion a year

ume," says Vivek Dave, Director at MRC India, an online currency trading service provider. "Exporters are comfortable with the arrangement with their bank," says Dhananjayan.

But, according to the Forum, Tirupur exporters lost ₹400 crore in 2006/07 because banks sold exotic financial derivative products to exporters who did not understand them. When currencies other than the dollar fell during the global meltdown, the exporters were in trouble. Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small and Medium Enterprises, says: "Small and medium enterprises burnt their fingers in 2008/09."

Despite this, the transparency of ETCDs fails to catch the attention of hedgers. The rupee has been relatively stable since 2009, so exporters have stuck to their traditional hedge. "Education is the biggest factor," says Joseph Massey, CEO of MCX-SX.

Another reason potential hedgers stay away from ETCDs is that, while speculators square off trade positions almost daily, businesses need to keep positions open for long, which would entail administrative hassles such as marking to market. Businesses prefer to take longer positions – say, one year – depending on delivery schedules. Since speculators, who think short-term, outweigh hedgers in ETCDs, volumes and activity in contracts up to three months are higher than for later months. "For 90 per cent of traders, contracts are active in the near months," says Nathani.

Currently, non-resident Indians and FIIs cannot trade in ETCDs. "When those caps go, volumes will grow manifold," says Narayanasami.

When caps on NRI and FII participation are removed, trade volumes will grow manifold.

T.S. Narayanasami, MD
United Stock Exchange

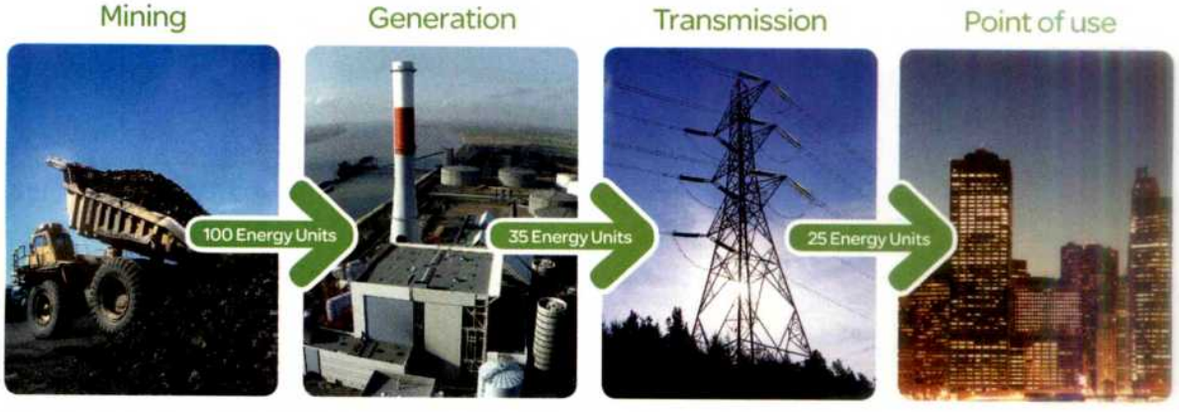
What Draws Speculators

If hedgers have so much to worry about, why are speculators confident? Pansari says ETCDs are less volatile than equity derivatives. Nathani says the lack of liquidity and the securities transaction tax have killed the earnings of arbitragers in equity derivatives. Then there are transaction costs: Dave points out that a turnover of ₹1 crore for ETCDs would cost ₹60, but for equities it would cost ₹1,200.

While currency derivatives have attracted day traders, open interest - positions that are not squared off by the end of the day – is low. Settling daily helps traders avoid paying margins, and to have exposure marked to market, says Pansari. In a trader-dominated market, he and Nathani represent a new breed of money spinners. One needs to track macroeconomic developments. "But the market has no concerns such as insider trading or governance," says Dave.

Until hedgers grasp the potential of ETCDs, it will remain a speculators' game. ◆

The only good watt is a negawatt



Due to intrinsic inefficiencies, 25 units of energy consumed at the point of use in India require 100 units of primary energy**

What's a negawatt? The one you didn't use.

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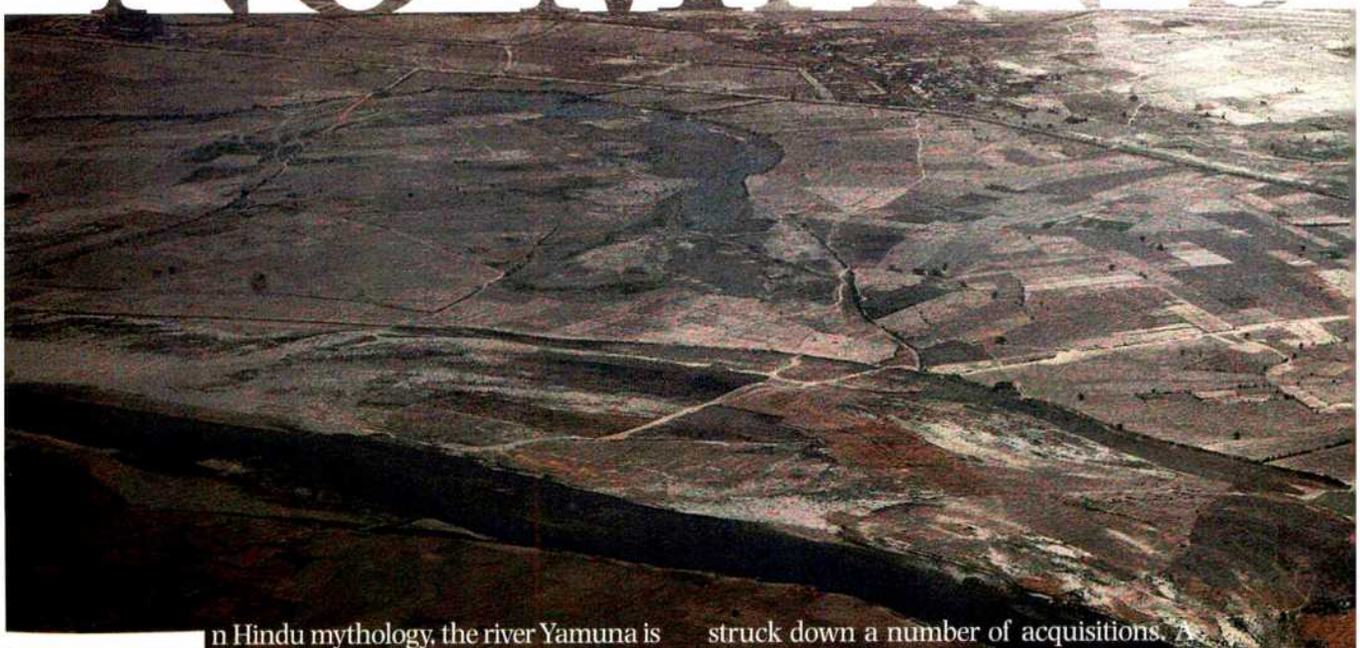
*Source: World Energy Outlook 2009, IEA/OECD **Eco III report titled "Demystifying Energy Use: From Home to a Power Plant in a Car"

NO MAN'S



In Hindu mythology, the river Yamuna is the sister of Yama, the god of death. Legend has it that bathers in the Yamuna's waters are freed from the torments of death. But the 165-km-long Yamuna Expressway from Greater Noida to Agra is fast turning out to be the kiss of death for farmers who till the land along its banks.

The farmers initially cooperated with the Uttar Pradesh government, selling off their fertile lands for the expressway. But it was a different matter when the government sought to acquire more land to build urban clusters along the expressway too. This time they resisted. It has now emerged that over the past two years, Chief Minister Mayawati's government forcibly acquired around 6,500 hectares affecting a population of about 1.3 million.

Some of the farmers went to court and in a series of judgments, both the Supreme Court and the Allahabad High Court have struck down a number of acquisitions. A crucial feature of the judgments has been their questioning of the manner in which the government exercised its powers under Section 17 of the Land Acquisition Act, or LA Act. Section 17 bars those affected by land acquisition from filing objections.

This colonial Act, passed in 1894, is at the heart of the debate over land currently raging in the country. Industrialisation and infrastructure building require large quantities of land, and delays in acquiring it could affect GDP growth as well as investor sentiment. The list of industrial ventures stalled in recent years across the country, due to locals refusing to sell, is long. Take, for instance, the plight of South Korean steel major Posco: Karnataka Chief Minister B.S. Yeddyurappa announced on July 13 that the proposed ₹30,000-crore Posco steel project would have to move out of Gadag

AN ARCHAIC LAW'S JOURNEY

1894 Land Acquisition Act passed

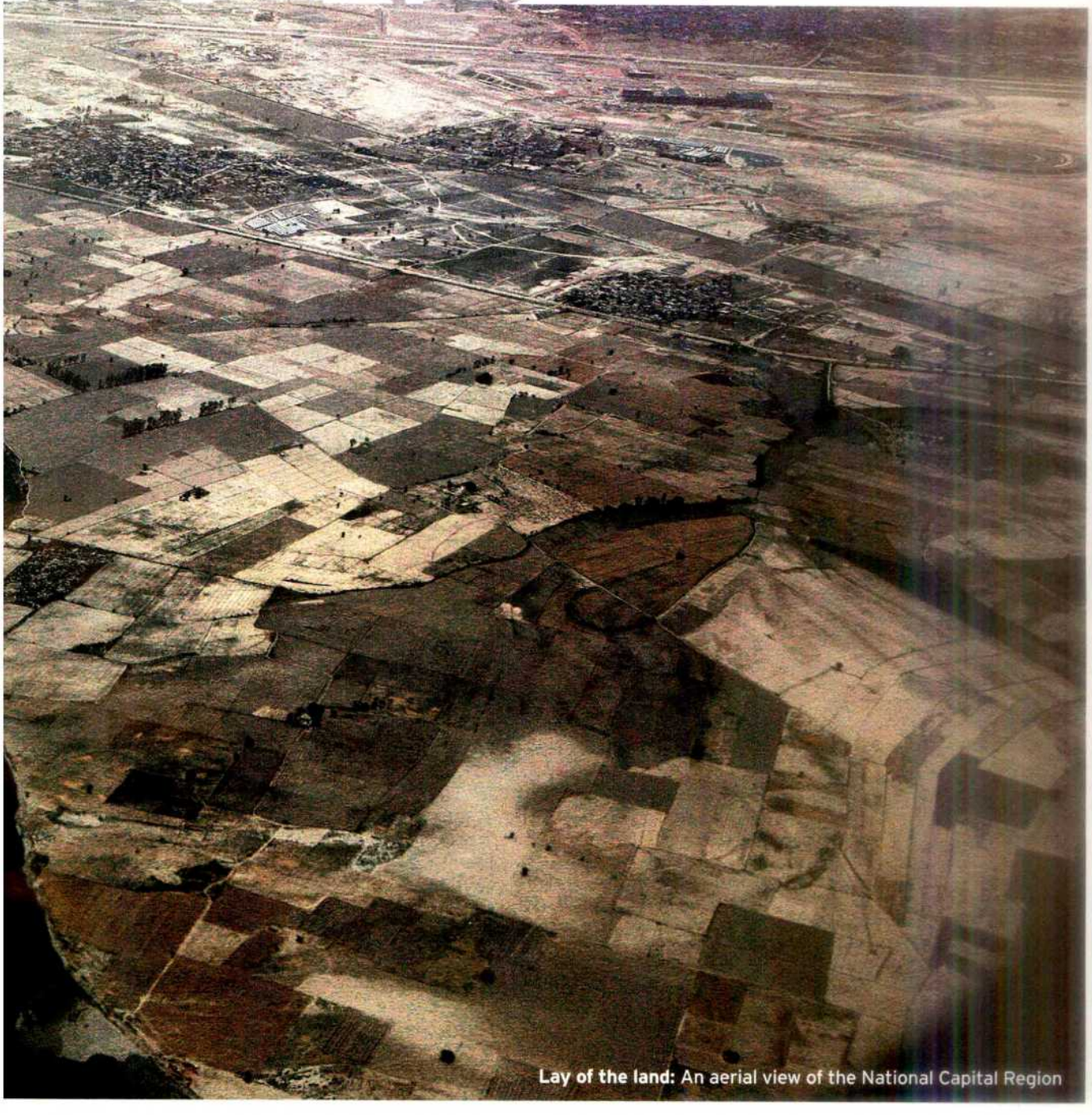
1998 OCT Union Ministry of Rural Development initiates amendment process

2007 DEC Land Acquisition (Amendment) Bill, 2007 introduced in Lok Sabha

2007 DEC LA Bill referred to the Standing Committee on Rural Development

LAND

Low investor sentiment, stalled projects, cost and time overruns loom large as widespread protests bring land acquisition to a halt. By PUJA MEHRA



Lay of the land: An aerial view of the National Capital Region

2008 OCT
The committee submits its report to Parliament

2008 DEC
Many of the recommended amendments approved by UPA government

2009 FEB
LA Bill passed a day before the dissolution of the 14th Lok Sabha

2009 FEB
LA Bill is tabled in the Rajya Sabha but not cleared; it lapses

How Land is Acquired for Companies at Present and what Could Make it Tougher

Land is identified by the company

STEP 1

Notification from state government saying identified land is required for public purpose

IN FUTURE: Firms may have to acquire bulk of land they need directly without government help

STEP 2

Objections are filed by owners and others with the district collector within 30 days

IN FUTURE: Villagers could get up to six months to file objections

CAVEAT

States often acquire land within 15 days of publication of a notice bypassing this step

IN FUTURE: Tighter urgency clause to stop this practice

STEP 3

Notices from the collector sent to land owners inviting compensation claims

STEP 4

The collector conducts an enquiry on objections filed. No award can be made sans enquiry

STEP 5

Government takes possession of land

STEP 6

Compensation paid based on market value of land, including interest payable for delays

IN FUTURE: Compensation to go up significantly and include an original owner share in case of land value escalation

Land is transferred to the company

district of the state if farmers refused to sell their land. Similarly, Posco's ₹54,000-crore steel project in Orissa's Jagatsinghpur district has been stuck for six years now because of land acquisition issues.

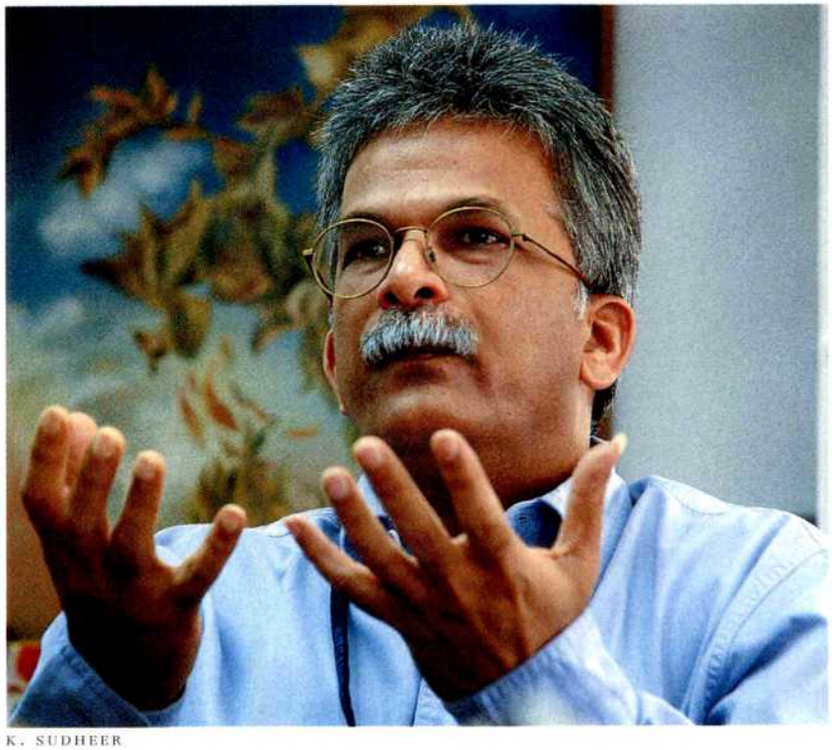
"For job creation you need new industries to come, new industries need to acquire land and you (the government) need to facilitate land acquisition," says Kris Gopalakrishnan, CEO and MD of Infosys. "You also have to make sure they pay proper compensation. We have to have a balance."

> "It is just not possible for one company to talk to hundreds of farmers and collate the land"
> **Pradeep Dhobale,** Executive Director, ITC

Those being displaced, however, look at the problem differently. Surely they have rights over the land they own? Often in the past these rights have been treated cavalierly. The number of people displaced by projects since Independence is a whopping 60 million, according to the National Advisory Council, or NAC, the advisory body that monitors implementation of the UPA's manifesto.

A Bill amending the old land acquisition law is slated for introduction in the forthcoming monsoon session of Parliament after an earlier version lapsed following the dissolution of the 14th Lok Sabha in 2009. Former Union Rural Development Minister Raghuvansh Prasad Singh has no doubt on whose side the new law should be. "From being pro-industry it has to become pro-farmer," he says.

The appointment of MIT-educated Jairam Ramesh as the new minister for rural development promises a bal-



K. SUDHEER

ance – he is not a typical politician, is known for his uprightness and has no lobbies to please. Immediately after taking charge, Ramesh called a series of meetings with the NAC and other stakeholders to thrash out a solution to the burning issue.

BT examines key issues the amended legislation must address.

Should the state buy land for private companies?

There is little resentment among those affected when the government buys land to build a bridge or a road. But when land is acquired for a private company, the government is seen as taking sides – favouring the rich against the poor.

The LA Act 1894 empowers governments with what is called Eminent Domain (Rajeev Dhawan's column at *Businesstoday.in/dhavan*). The state has the power to take away private property for public use by paying just compensation, even if the owner does not want to sell. The Act does not specifically include acquisition of land for a private company as a 'public purpose'. However, in the past few decades, state governments have been able to use the power of Eminent Domain to buy land for private industry by interpreting public purpose to include "development and industrialisation".

For instance, in July 2006, the West Bengal government notified under the 1894 Act its intention to acquire about 1,000 acres in Singur in the following words: "Land is likely to be needed to be taken by Government/Government Undertaking/Development Authorities, at the public expense for a public purpose, viz employment generation and socio-economic development of the area by setting up of Tata Small Car Project".

The subsequent controversy in Singur over land acquisition from farmers, many of whom were made to unwillingly part with their fertile

An Industry-friendly State's Pro-farmer Policy

During the Vibrant Gujarat Summit in 2003, detergent manufacturer Nirma proposed a cement plant at Mahuva in Bhavnagar district. The ₹450-crore project was to include a 50-mw captive power plant. Eight years on, Nirma is yet to begin work on the 1.91-million-tonne-per-annum cement plant because the acquisition of 268 hectares required for the project has run into opposition from farmers. While the protesting farmers and the Union Ministry of Environment and Forests have maintained the land identified for the project is wetland, the state government has classified it as wasteland. The project now faces relocation as the Centre has filed a report with the Supreme Court op-

Policy shift: Gujarat Chief Minister Narendra Modi (sitting, second from right) with industry captains at the Global Investors' Summit 2007. Gujarat has drafted a new policy which puts the onus of land acquisition on private companies

posing the land allotment on the ground that it is an environmentally sensitive wetland that supports cultivation in the area.

This was the trigger that prompted the Narendra Modi government to rework its land acquisition policy earlier this year. According to the reworked policy, the state will not forcibly acquire farmland for private projects. Says Principal Revenue Secretary P. Panneervel: "The new land acquisition policy is not only farmer friendly but also addresses the welfare of those who give up land for a public utility." He says henceforth the state will not get involved in any land acquisition for private projects. "The investor has to deal with the landowners himself." The government will acquire land only for public utilities but only with the landowner's consent and after providing him with a host of compensation benefits.

Gujarat's stand is much like that of Mamata Banerjee's, who had prompted the UPA I to include a similar proposal in its Land Acquisition Act Amendment Bill 2009 (that lapsed with the dissolution of the 14th Lok Sabha). In May, Home Minister P. Chidambaram spoke of the need for a new policy – either reviving the lapsed Bill or introducing fresh legislation in the monsoon session. As land is on the Concurrent List, states can have own policies but will have to be in consonance with the Centre's law, Jairam Ramesh, Union Minister for Rural Development, has said. "They can build over the provisions contained in the Centre's law."

K.R. BALASUBRAMANYAM

A LAND SLIDE VICTORY

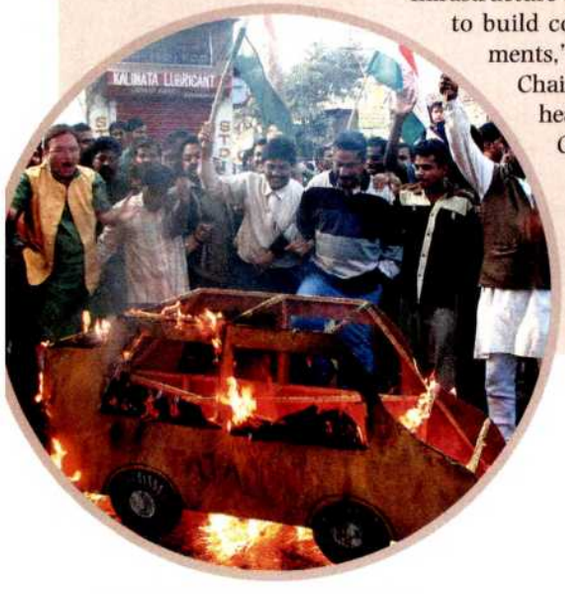
West Bengal is a classic case of politicisation of the land acquisition problem. Singur and Nandigram stand like symbols of the Left's doom in the state after a 34-year rule. They are also the trigger points for the call for a change in the country's 120-year-old land acquisition law. The Tatas subsequently had to relocate their small car project to Gujarat and may now have to return 40 per cent of the 1,000 acres acquired in Singur. The state government has taken possession of the premises after the passing of the Singur Land Rehabilitation and Development Act, 2011. But for now, the Supreme Court has stayed the order to return the land till the Calcutta High Court gives its final verdict on an appeal filed by Tata Motors opposing the step.

Trinamool chief Mamata Banerjee declared soon after her entry into Kolkata's historic Writers Buildings as Chief Minister that while she had invited industrial houses such as the Tatas to invest in the state, her government would return the land taken from unwilling farmers. The announcement may deter companies from setting up large plants in the state for which hundreds of acres are required.

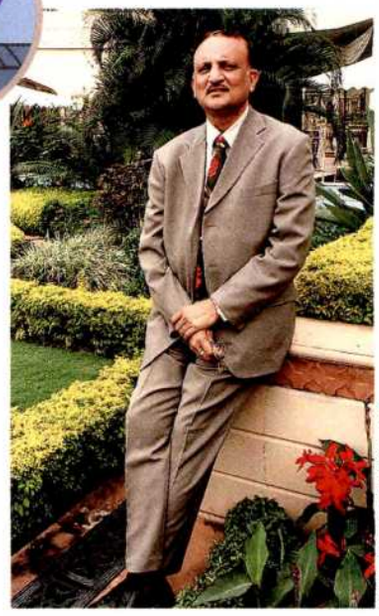
Becharam Manna, Trinamool MLA from Haripal near Singur told *BT* some weeks ago: "There are around 400 acres inside the boundary (of the plant) that belong to farmers who did not accept their compensation. My first priority is to return this land and only then can we think of setting up industries." Banerjee has asked the Tatas to start production in the part of the plant they have been allowed to retain. The problem, however, is pockets of disputed land are scattered all over the site. This has made even the land the Tatas have been allowed to keep unusable.

Upcoming projects in West Bengal are going to have to adjust to the new policy for acquisitions. The Trinamool government has laid down some guiding principles for land acquisition in its vision statement that will make it increasingly difficult to acquire large tracts for big factories. The many conditions include a ban on acquisition of land that is cultivated or owned by small farmers. Nearly 80 per cent of the landowners in Bengal are small farmers. "Investments is a matter of confidence, infrastructure and opportunity. The opposite exists in Bengal. Infrastructure needs to be beefed up to build confidence for investments," says Sanjiv Goenka, Chairman of the Kolkata-headquartered RP-Sanjiv Goenka group.

SUNNY SEN



Rising anger: Protestors set on fire a Nano model in Singur



A. PARBHAKAR RAO

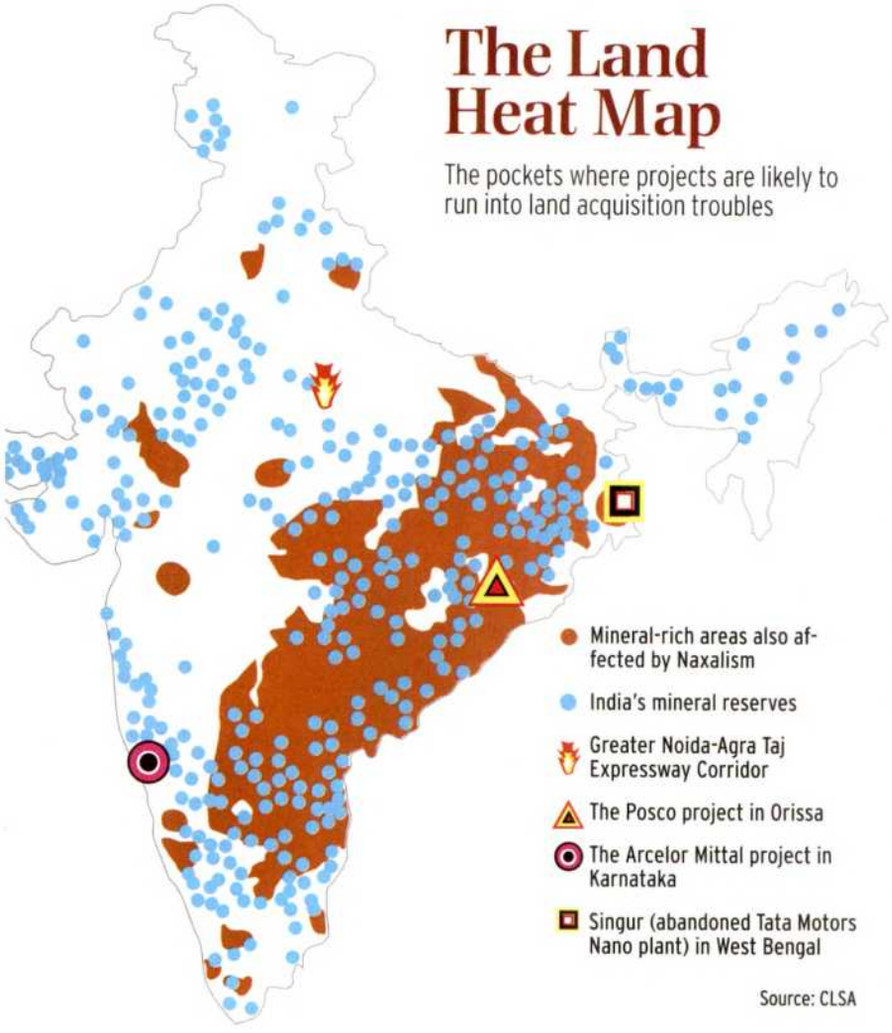
"We have to develop a methodology where both agriculture and industry are winners in a transaction"

Issac A. George, Chief Financial Officer, GVK Power & Infra

land, triggered the debate over whether the principle of Eminent Domain should be used to get land for private companies.

The Supreme Court made its position clear in March 2011. "Any attempt by the State to acquire land by promoting a public purpose to benefit a particular group of people, or to serve any particular purpose at the cost of the interests of a large section of people, especially of the common people, defeats the very concept of public purpose," the apex court ruled.

The lapsed Land Acquisition Amendment Bill 2009 had proposed that the government should step in on behalf of a private company only if the latter had already acquired 70 per cent of the land needed on its own, but was facing problems in getting the rest. Ramesh has de-



cleared this position will be reviewed in the new Bill. Some ministers of the UPA favour a marginal role for the government in land acquisition.

"If the government acquires farmland, the owners lose the option of bargaining as the price is fixed by the state," explains a member of the Group of Ministers headed by Agriculture Minister Sharad Pawar that examined the Bill in 2008-09.

A working group of the NAC, however, has recommended that land for private projects should be acquired primarily by the government. Towards the end of May, the NAC proposed that in the case of projects where more than 400 people were affected, private companies should be barred from buying land directly from farmers. "The problem with asking private companies to buy at least 70 per cent of their land requirement on their own before going to the government to acquire the remaining 30 per cent is that different farmers will get different prices for their land," says NAC member N.C. Saxena.

Few companies are keen on acquiring land on their own, though their reasons are different from the one cited by Saxena. "There is no denying that a farmer should get a fair value for his land, but it is just not possible for one company to talk to hundreds of farmers and collate the land," says Pradeep Dhobale, Executive Director, ITC. "It just cannot happen without government intervention."

The Confederation of Indian Industry, or CII, too has rejected the proposal of shifting the onus of acquisition to companies. It has suggested that state governments should continue to acquire and aggregate fallow and barren lands for use by industry by setting up state land bank corporations. "There needs to be a provision for setting up land bank corporations to facilitate acquisition and disbursement of land for industrial use; digitisation of land records and also zoning of land as these will be key for systematic development of industrial land," says Chandrajit Banerjee, Director General, CII.

Ground realities that make a case for the use of Eminent Domain by the government include a holdout problem when unless some people agree to sell their land, a project cannot materialise, or where only a specific piece of land serves the purpose in question such as for mineral extraction. The shoddy state of India's land records also creates a need for the government to step in. *(See Where Does the Title Stop?)* Companies that have tried to acquire land by themselves have often ended up in disputes involving unclear ownership titles, or have had to face holdouts by locals, invariably at the behest of activists.

Even then, the danger is that the government's increased involvement in land acquisition can spur a politician-businessman nexus. Already, the land mafia across the country is creating a new class of moneyed politicians.

How to give farmers a fair share

The Union Ministry of Rural Development's background research before it readied the now-lapsed Land Acquisition Amendment Bill 2009 brought to fore some hard-to-ignore ground realities.

For instance, officials in the ministry discovered that compensation in

Rob Ram To Pay Shyam

"I saw an advertisement in the newspaper for plots at ₹62,000 a square metre in the area where my farm is situated," says Ram Prakash, a farmer in Bhatta village of Gautam Budh Nagar in Uttar Pradesh. In February this year, Prakash had finally accepted the state government's terms of compensation for acquiring the land. Prakash says he and other local farmers had been holding out but were forced to fall in line – they got ₹711 to 880 per sq metre with no rehabilitation and resettlement, or R&R, benefits or future income streams. They received ₹63 lakh for nine *bighas* they jointly owned. "It was a choice between losing our land for nothing and accepting whatever was being offered," says Prakash, who later filed an objection with the district officials and still has possession of the farm.

Farmers such as Prakash are upset with the UP government pocketing the mark-up between the compensation it paid them and the ₹62,000 a sq metre it has advertised for. "I realised ₹63 lakh for nine *bighas* is a pittance as I scouted for a plot to buy in Delhi," says Prakash. The farms in Bhatta, like all others in the 1,200 villages on the Yamuna Expressway corridor are highly fertile and canal irrigated, producing three crops a year. Bhatta's farm is near the motor racing track in the proposed Jaypee Sports City. "I am being forced to sacrifice my land to enrich the Jaypee Group," says Prakash.

The horrors of the forced acquisitions along the Yamuna Expressway came to light after Congress General Secretary Rahul Gandhi's intervention in early May. As the issue snowballed into a crisis, Chief Minister Mayawati announced a new land acquisition policy on June 2. However, the new policy still does not give owners a share in case of escalation in the land value. It says the role of the government will be that of a facilitator and companies will have to buy land from farmers directly once 70 per cent of the farmers approve the terms and conditions. The package will include an annuity of ₹23,000 an acre for 33 years (with an annual increase of ₹800 an acre) in addition to an option for taking back 16 per cent of their land developed for the project. Though people from Bhatta were party to the decision, many like Prakash will missout on the promised benefits as it is being implemented prospectively.

PUJA MEHRA

Feeling cheated: Ram Prakash, at his home in Bhatta village of Gautam Budh Nagar, UP

SHEKHAR GHOSH

YASHBANT NEGI/www.indiatodayimages.com

Stuck: Reliance's SEZ in Haryana is caught in a land acquisition quagmire

3 lakh

hectares required by 2030 to enable 8 to 9 per cent GDP growth rate. This is twice the amount acquired between 1985 and 2005

at least 80,000 cases of forced land acquisition in Rajasthan has been pending since Independence. Land had been taken from farmers for defence use. Many of the cases contesting the acquisition are still in the Supreme Court. "One of the complaints was that a golf course for the defence forces had come up on land acquired from the farmers," says Rita Sinha, who was Secretary of the Department of Land Resources when the survey was carried out. "Even if they win, the farmers will probably be paid at the 1947 land rates or eight *annas* (50 paise) an acre."

The real issue is not the price paid for the land acquired. Even if farmers

PARVEEN NEGI/www.indiatodayimages.com

Key role: Rahul Gandhi (in Greater Noida, UP) restarted the land acquisition debate

2%
or less of total project cost is typically spent on land acquisition

80%
of projects delayed or facing cost overruns due to land acquisition issues

80%
minerals and coal lie in tribal areas where locals refuse to give up land

1.3%
of GDP growth lost every year due to poor land records

Sources: Government of India, Centre for Science and Environment estimates, CLSA

get ₹1 crore per sq metre they will be resentful if they find five years after they sold that the price of the same land has escalated five times.

Yet, escalation is unavoidable as land prices in India tend to be depressed. For agricultural land to be used for non-agricultural purposes such as manufacturing or real estate development, a 'non-agricultural use clearance' from the local authority or state government is needed. It is only after such conversion that the land's price begins to rise.

For instance, when the UP government acquired 157 hectares in Shahberi village, Noida – subsequently struck down by the Allahabad High Court in May – it said the land would be used for industrial purposes. But within 11 days, the land use was changed to residential. The state government paid farmers ₹850 per sq metre but sold the land to builders at ₹10,000 per sq metre.

The consensus is that farmers will feel less alienated from the growth process if they are given a share in the value created from their land. "We have to develop a methodology where both agriculture and industry are winners in a transaction," says Issac A. George, Chief Financial Officer, GVK Power & Infrastructure.

The amended LA Act Bill that lapsed had proposed that land should be valued on the basis of its intended use at the time of acquisition, and 80 per cent of the gains from its sale to private players should be handed over to the original owners.

An alternative suggested by the NAC is that every time a piece of acquired land changes hands for the next 20 years after it was bought from the farmer, 25 per cent of the gains should be shared with him.

The idea sounds great, but implementing it may not be easy. "How will I keep track of the change of ownership? There is also the power of attorney route (by which land can

Where Does the Title Stop?

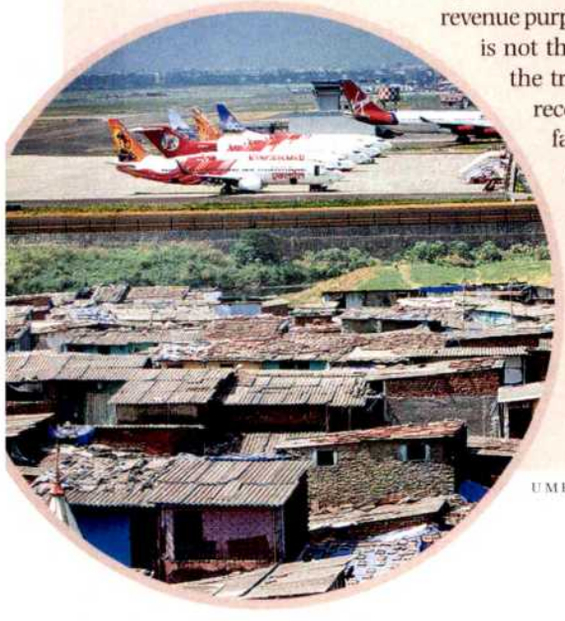
Companies acquiring land through direct negotiations with landowners run litigation risks, especially since most holdings are small, requiring them to deal with a large number of owners and squatters. The problem of poor land records and widespread disputes could be eliminated if the government uses Eminent Domain to buy land on behalf of companies. Even this may not work in all cases, especially where slums have been regularised. One such case is Mumbai's Chhatrapati Shivaji International Airport.

In May 2006, the Airports Authority of India, or AAI, transferred the 1,976-acre airport to infrastructure major GVK for its modernisation. But 276 acres had already been encroached upon and housed 275,000 to 325,000 slum dwellers who needed to be relocated. (The airport modernisation project is a public-private partnership initiative, making this acquisition a shade different since AAI will continue to own the land.) The state government, however, is yet to give the go-ahead to the shifting of the slum dwellers to new tenements built for them.

Similar problems are faced by even the biggest names in Indian industry, like Reliance. Reliance Haryana SEZ, a special economic zone company owned 90 per cent by Reliance Industries and 10 per cent by the Haryana State Industrial Development Corporation, started buying land in 2006 to set up an SEZ spread over 25,000 acres. To date, less than one-fourth of that target has been acquired. Insiders say about 8,000 acres were bought from 3,000 sellers at an average price of ₹25 lakh an acre – five times the market price in 2006. Sellers also get an annuity spread over 33 years, amounting to a cumulative ₹16 lakh an acre over that period. Says a former company insider on the condition of anonymity: "The revenue records in the area are disorganised, and there are many joint owners of the same land." Nearly a thousand partition cases were filed in the *tehsils* falling under just one district, Jhajjar, to separate the rights of co-sharers.

Navigating through land records can also be tough for acquirers. Even the registrar's office is not empowered to certify title claims. Registrars only record property for revenue purposes: what is registered is not the title but the deed of the transaction. Even these records are incomplete. So far, only 14 states have online records of rights and 16 have computerised mutation.

E. KUMAR SHARMA & JOSEY PULIYENTHURUTHEL



Yet to take off: Slums near the Mumbai airport

UMESH GOSWAMI

SHEKHAR GHOSH

"Agglomerating land from numerous owners is not a task the corporate sector can undertake effectively"

Chandrajit Banerjee,
Director General, Confederation of Indian Industry

effectively change hands without any sale being registered)," says a district magistrate in Rajasthan, requesting anonymity.

"Tracking the second and third sale in each case will be a Herculean task," says George. Such an effort, he feels, will also encourage concealment of true value of properties and generate more black money. He also urges a look at the flip side. "What if the land is sold at a loss? Can the farmer be asked to share the loss," he asks.

Expenditure on land purchase, says George, will have to be part of the capital cost; once a company goes into operations it cannot keep debiting from its capital cost. Whatever the acquisition cost, it has to be charged as a capital expenditure in the initial years before commercial operations begin. ◆

ADDITIONAL REPORTING BY E. KUMAR SHARMA AND K.R. BALASUBRAMANYAM

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light

jogging
light

cafe
light

midday
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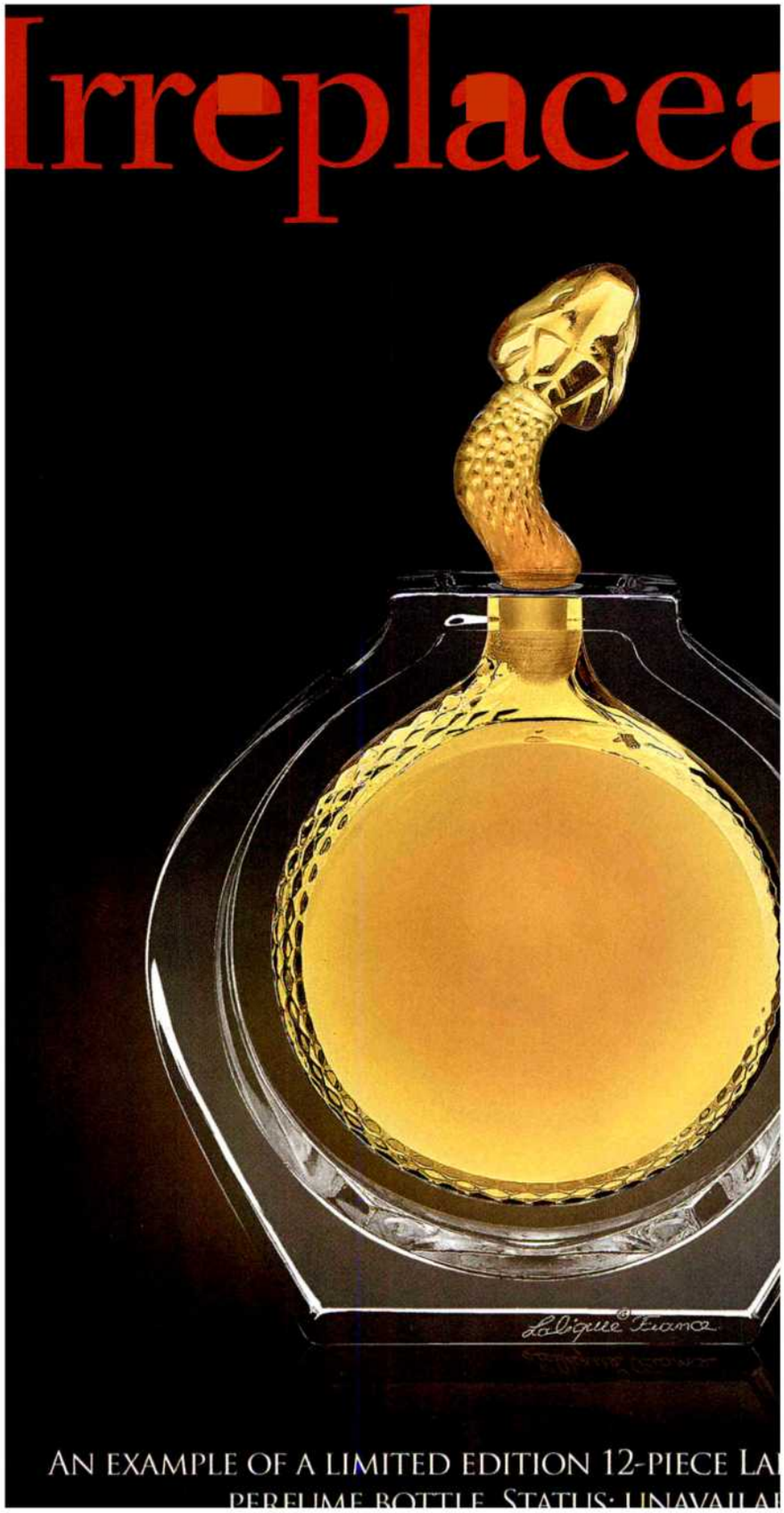
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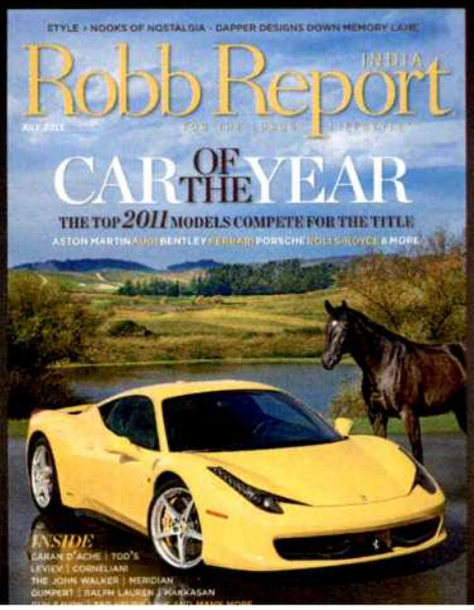


THE SHOCK AROUND THE CORNER

Companies scramble as an impending energy drought threatens to short-circuit growth.

By N. MADHAVAN, K.R. BALASUBRAMANYAM and SHWETA PUNJ

When Bloom Energy first got in touch with Girish Paranjpe with a job offer, he was puzzled. So was everyone else when he accepted. Bloom, founded by India-born K.R. Sridhar, a former NASA researcher, is considered one of Silicon Valley's hottest start-ups. But unlike software firms that make Palo Alto a feted name, Bloom is a company specialising in fuel cells that convert air and natural gas into electricity without combustion. Paranjpe had spent the last 20 years in a different world, dabbling in software at Wipro Technologies, where he was the joint CEO at the time of leaving.

But he found a compelling reason to take the plunge into an industry he had never worked in before. "Every country, whether developing or developed, is uncertain about energy. They are concerned either about cost or security," says Paranjpe, who, as Bloom Energy International's Managing Director, will develop markets outside the United States, especially – you guessed it – India, China and Brazil.

The uncertainty that Paranjpe flags is manifested in recent moves across Corporate India. Madras Cements has invested ₹1,000 crore in power. Wind power. The 185 MW generated by

this project will take care of half of the company's needs and protect it from tariff increases. Captive power plants are not new to companies, but a captive wind power project is.

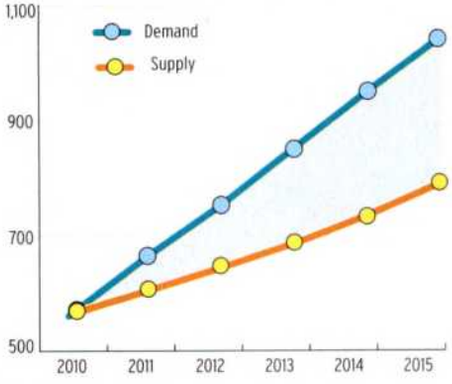
As is solar, which is what Thermax has plumped for. The Pune engineering company has set up a 100 kilowatt, or kW, air conditioning system in Gurgaon which runs on solar power. This installation, based on what is called 'triple-effect absorption' technology, takes 30 per cent less space and delivers one-fifth more cooling efficiency.

These are not stray instances. As the Indian economy hurtles down a path of breathless economic expansion, there is a fundamental shift taking place in the way companies look at energy – both in terms of future availability and strategies to deal with rising prices (driven by soaring input costs).

"India needs to consider all modes of power generation to fuel its economic growth," says Gopichand Katragadda, General Manager with GE's India energy operations. Going by projects on the ground, he says, India will move from the current 170 GW – a GW, short for gigawatt, is equal to 1,000 megawatts, or MW – in installed capacity to about 400 GW by 2025. "But the need is 700 GW even by average consumption calculations."

Mind the Gap

How much the coal shortage will hurt India Inc.

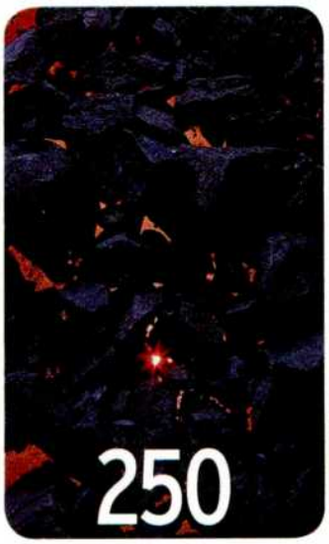


Figures in million tonnes
Source: Planning Commission and Emkay Research estimates

If ratcheting energy demand in the world's second-fastest growing economy is the cause for immediate pain, the root of India's energy troubles lies in its dependence on coal. In 2010/11, 83 per cent of the 811 billion units of electricity produced came from plants running on coal. This is unsustainable and even the government admits so. "Coal availability will be a major constraint," the Planning Commission said in April. "On an optimistic assumption about Coal India's production, we will need to import 250 million tonnes in 2017/18." The gap between domestic supply and demand is already at 142 million tonnes, which is met through imports. Investment bank Goldman Sachs reckons 31 per cent of new power capacity coming on stream in the next three years will be "at high risk".

Hauled Over the Coals

The output of government-controlled Coal India, which produces four-fifths of the coal consumed in the country, meanwhile, is growing at a slower pace. It is likely to finish the current Five-year Plan, ending March 2012, with a meagre 4.37 per cent increase in output, down from 5.4 per cent in the last Plan. Much of the slowing momentum



million tonnes will be the coal import in 2017/18

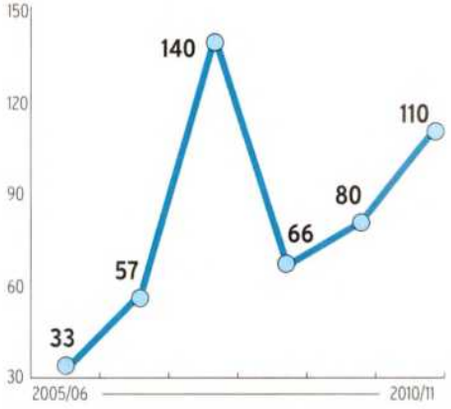
of wind power was added in 2010/11

of India's crude consumption is imported

of India's natural gas output is from ONGC

On the Rise

International coal prices are on the boil again



Price per tonne (excluding freight) of Indonesian coal
Source: Industry data

at Coal India is put to environmental clearances for new mines. Of the 250 billion tonnes of coal reserves in the country – the second-largest in the world – Coal India has captive blocks of 100 billion tonnes. The rest have either not been allocated or given to private miners. Of the 208 captive coal blocks earmarked for private miners, just 26 have started production.

Electricity regulator Central Electricity Authority, or CEA, estimates a third of the shortfall in power generation in India in 2010/11 was caused by coal shortage. That continues into 2011/12. In April, the country's thermal stations got a total of 32 million tonnes of coal – four million less than needed. At the end of the month, 28 power stations had stocks for less than a week and 10 of them for fewer than four days. Anything less than three weeks is considered unsafe. (See *Sweat It Out*, *BT*, June 26, 2011.) Predicting a coal shortage of 54 million tonnes this year, CEA has advised power stations to be ready to import coal.

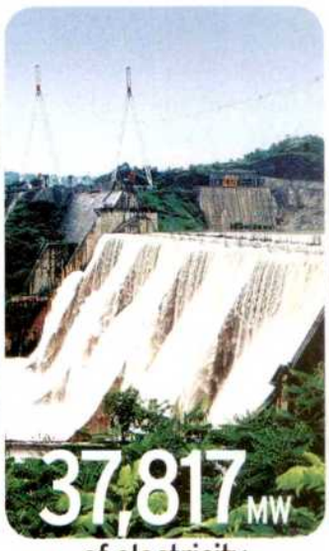
Domestic coal prices, which had remained flat for six years, rose a sharp 30 per cent in February this year, which surprised industry experts, given that Indian coal, with as much as 40 per cent ash content, is considered inferior in quality. Depending on the quality of domestic coal, buyers pay anything between ₹500 and ₹4,000 a tonne today. And, as global manufacturing returns to healthy levels and China shows no signs of slowing down, international prices, too, have been on the upswing – they have already risen almost 40 per cent in the past 12 months.

At energy research and consulting firm Wood Mackenzie, Prakash Sharma, a coal analyst, is predicting demand for thermal coal, the kind used to fire power plants, "will more than triple in volume by 2030, mainly fuelled by the insatiable demand of China and India". In the immediate term, Sharma foresees pain at the buy side in India. "By 2012 and 2013, we see a return to more robust demand growth, mostly from India, but also from China and Japan... Supply and port capacity will remain relatively tight supporting higher prices in 2012 and 2013," he says.

Outside coal, the picture is not much brighter. Take oil and gas. India imports 84 per cent of its oil needs. Crude prices have been on the boil due to the tensions in West Asia and North Africa. The prices have risen from $80 a barrel last October to $112. Goldman Sachs expects Brent crude to touch $120 per barrel this year and $140 next. To be sure, doomsday predictions of surging oil prices

of solar power will be generated by 2022

We do not tap tidal energy despite an 8,000 MW potential



of electricity is generated from hydel sources

is generated from biomass against a potential of 25,000 MW

"A large dose of private sector investment is needed both in mining and in generation, transmission and distribution of electricity"

B. MUTHURAMAN, President, CII; and Vice Chairman, Tata Steel

have not played out to script many times.

Gas output in the country has failed to keep up with estimates. Reliance Industries's famed D6 in the Krishna-Godavari Basin contributes 32 per cent of the total gas produced in the country, but it pumps out daily just 50 MMSCMD, short for million metric standard cubic metres per day, down from 60 MMSCMD, because of reduced pressure and expects to reach peak production of 80 MMSCMD only after a year. The gas is now being supplied on priority to the fertiliser industry and the power sector, leaving steel, sponge iron and other sectors starved. "We are in the grip of a serious energy crisis," concludes Kameswara Rao, Leader, Energy, Utilities and Mining, PricewaterhouseCoopers India.

Global Resource Chase

Gautam S. Adani, Chairman of the ₹28,000-crore Adani Group, is a celebrity in Australia. Queensland Premier Anna Bligh was at hand when Adani opened his offices there last year. Adani's tryst with Australia began last August when he acquired Queensland's Galilee Coal Tenement for ₹12,600 crore. In May this year, Mundra Port, another Adani company, said it was acquiring Queensland's Abbot Point Coal Terminal for ₹9,000 crore. The group is contemplating a railway line from the mine to the port.

Adani's love for Australia is rooted in Adani Power's ambition back home. It wants to increase its capacity to 20,000 MW in nine years from 4,620 MW now. Demand is not an issue in a country where 15-hour power cuts are not unheard of even in some well-known urban pockets. The deal-breaker is coal, about 100 million tonnes of which Adani Power will need every year – and, that at a reasonable cost. Likewise with Lanco, India's biggest private power producer, which too has gone to Australia.

While Adani and Lanco have gone Down Under, Tata Power has acquired a 30 per cent stake, worth $1.1 billion, in two subsidiaries of Indonesia-based Bumi Resources, the world's second-largest coal company. The Tata Group company needs to import 21 million tonnes of coal every year to fuel its projects on India's west coast which would produce 7,000 MW. It hopes to get about half of that from Bumi.

Keeping Tata company in Indonesia is India Cements, the largest cement manufacturer in south India, which has acquired a mine there with proven reserves of 35 million tonnes. Once fully on stream, this mine will meet the company's coal needs for the next three decades.

Such moves are fraught with geopolitical risks. There is an increasing feeling in mineral-rich countries that their resources are being exploited by energy-hungry countries. For instance, Indonesia, which is the biggest source of imported coal for India, recently said that all exports from the country will be priced at par with international coal prices. If that happens, or as A. Subba Rao, Chief Financial Officer, GMR Group, worries, if domestic coal prices are benchmarked with international prices, "fuel costs will go up significantly; gas prices are also going to rise". Even so, those looking overseas are willing to take the risk.

12%
is the fall in coal consumption for NTPC through a cut in heat rate

It is not just coal mines which are attracting Indian companies overseas. Chemplast Sanmar, the country's second-largest producer of polyvinyl chloride, or PVC, a key input in plastics, is investing $1.3 billion in a 200,000-tonne manufacturing facility in Egypt. Why North Africa? Because it will be able to buy power there

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Magarpatta City near Pune

Magarpatta City, an integrated township near Pune, has a biogas plant. It also has one of India's largest residential water-heating systems, powered by solar panels.

The Saibaba Sansthan, Shirdi, has the world's largest solar steam system. It generates about 3,500 kg of steam to cook food for 20,000 people daily, saving 100,000 kg of LPG a year. There are similar systems at Mount Abu, Tirupati and Sathyabama University, Chennai.

The Energy and Resources Institute has a smart mini-grid at its training facility near Gurgaon, which can generate 117 kW of energy from sources such as wind, sunlight, biomass and diesel.

Thermax has installed a 100 kW solar air conditioning system at the Solar Energy Centre, Gurgaon, which needs 30 per cent less space and has 20 per cent greater cooling efficiency.

at the equivalent of ₹1.20 a unit, thanks to abundant supply of natural gas. Nearly 85 per cent of the cost of making caustic soda, the starting point of the PVC manufacturing cycle, is electric power. The cost of making it in Egypt is a fourth of what Chemplast spends in India. "Our Egypt operations lend a great strength to the group," beams Chairman P.S. Jayaraman.

Fellow south Indian giant Murugappa Group has gone a step ahead. Group company Carborundum Universal, the world's largest producer of silicon carbide, which is used in automobile clutches and hard ceramics, with operations across seven countries, gets the electro-fusion process – as energy-intensive as they come – done out of its facilities in Russia and South Africa. Power in those countries cost ₹2.50 to ₹2.90 per unit, compared to just under ₹7 in Tamil Nadu. "The process (electro-fusion) accounts for almost 35 per cent of my manufacturing cost," says MD K. Srinivasan.

Small is Painful

Not everyone can go abroad, though. For the spinning mills in Tamil Nadu, nearly 45 per cent of the cost of converting cotton into yarn is the electricity bill. The power cuts in the state – six hours a day – are forcing the mills to run diesel generator sets. At ₹13 a unit, this power is far from cheap. Little surprise, then, that of the 6,000 MW of wind power capacity – cost: ₹3.50 a unit – set up in the state, two-thirds is owned by spinning mills. "But for the investment in wind power, the average power cost would have hurt the competitiveness of the mills and priced their products out of the market," says K. Selvaraju, Secretary General, South Indian Spinning Mills Association.

Take a step a rung lower into the world of small and medium enterprises, or SMEs, and the picture gets really grim. Large businesses can acquire assets abroad, recalibrate investments, and so on – all options not available to the average SMEs. Manish Mohan has been making diesel generator sets for 30 years. His company, Elmech Engineers, much like other SMEs, is in a fight for survival. Elmech's plant in Roorkee, Uttarakhand, runs in two shifts. There is power for the general shift – 9 a.m. to 5.30 p.m. – six days a week, with a twist. "We have moved our weekly off from Sunday to Thursday, since we get power on Sunday and not on Thursday," says Mohan. The second shift, from 6 p.m. to 2 a.m., gets no power at all; it runs on generators. "Two years ago I was spending ₹50,000 on diesel a month; now I spend close to ₹3 lakh," he says.

75%
is how much Chemplast saves by making caustic soda in Egypt

Mohan is a member of a local industry association in Roorkee, which has made an offer to the state government to pay ₹5 a unit, twice the current rate, if the power supply is uninterrupted. It is also

looking at options to set up a husk-based power plant and a biogas plant.

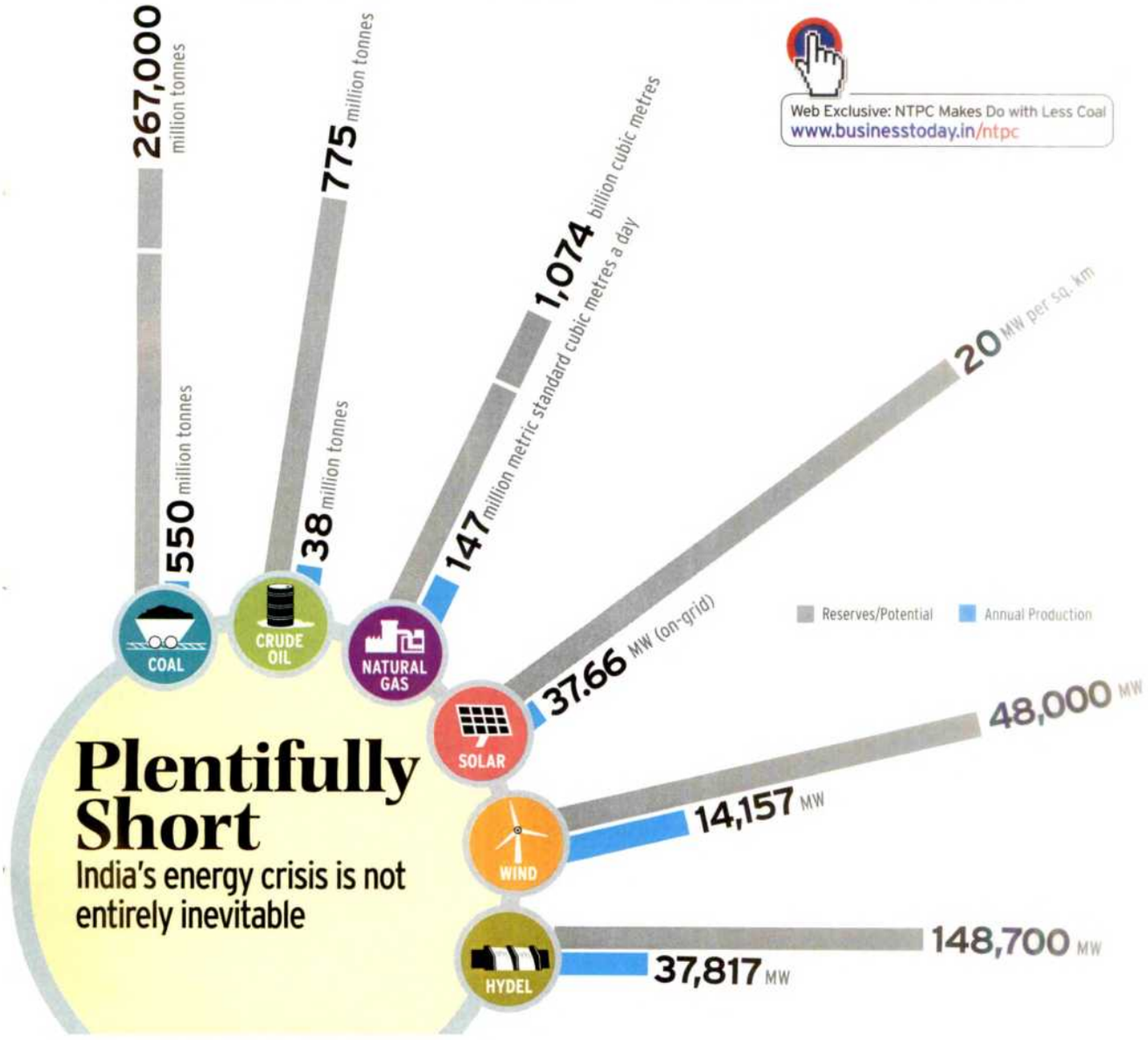
The story plays out elsewhere, too. Metal can manufacturer Hindustan Tin Works relies on diesel generators for 80 per cent of the power needed at its Haryana factory. Rising diesel costs and increasing dependence on generators has reduced the company's margins by 1.5 percentage points in the last three years. Meerut sports gear maker Greenland Enterprises, which runs largely on diesel generators, has doubling electricity costs shaving profit margins by four to five percentage points over the last decade. For SMEs already balancing operations at wafer-thin margins, that's too big a burden.

There is never a good time to have a crisis, but India's growing energy problem could not have come at a worse time. Two decades of rapid GDP growth have catapulted India to a middle-income economy and a young, high-spending population has the potential of taking it far. Without energy, the juice that powers any modern economy, that dream could die an early death. The Planning Commission says commercial energy demand grows by seven per cent every time the GDP grows nine per cent.

Shocker Ahead

An energy shock in the offing hangs over like a pall of gloom. "Energy is fundamental to growth and India is in serious shortage of it. A large dose of private sector investment is needed both in mining and power sectors," says B. Muthuraman, Vice Chairman, Tata Steel, and President of the Confederation of Indian Industry, or CII.

Runaway coal prices combined with the reluctance with which state governments increase electricity tariffs will hurt the power sector, already grappling with steep demand-supply deficits. Most state electricity boards, or SEBs, are in a financial mess on account of policies that entail free power, poor maintenance of the generating stations and large-scale transmission and distribution losses. If tariffs cannot be raised, most SEBs will hurtle into bankruptcy, if they are not there already, and become more dependent on the government for their survival.



"High energy costs will dent India's competitiveness as it (energy) is almost like a raw material in any manufacturing process"
R. SESHASAYEE, Vice Chairman, Ashok Leyland

Private power producers will be no better off. "Private independent power producers, which have committed to supply from upcoming capacities, face the most risk of fuel cost escalation. While these projects can import high-cost coal, the impact on their earnings would be significant as higher costs cannot be passed through tariffs," says K. Shankar, an analyst at Edelweiss Securities. He lists Adani Power and JSW Energy among the most affected, as also NTPC which has commitments from Coal India to the extent of only 70 to 80 per cent.

Next up, steel makers will feel the heat. As much as 700 kg of coking coal is required to produce a tonne of steel. "In the last six months the price of coking coal has moved up from ₹6,000 per tonne to ₹9,000. It looks poised to move up further. We steel makers are helpless. We have no captive source of coal and steel prices are determined by the market," laments Vinod Nowal, Director and CEO, JSW Steel, the second-largest steel maker in the country with an installed capacity of 10 million tonnes a year.

Squeeze on Manufacturing

It irritates Infosys CEO and Managing Director Kris Gopalakrishnan that regulatory gaps are not being plugged. "A proper policy and infrastructure need to be in place for the investment that industry makes to yield results," he says. For instance, Madras Cements' investment in wind power does not yield full benefit because the Tamil Nadu Electricity Board is not evacuating the power produced by the company's wind mills.

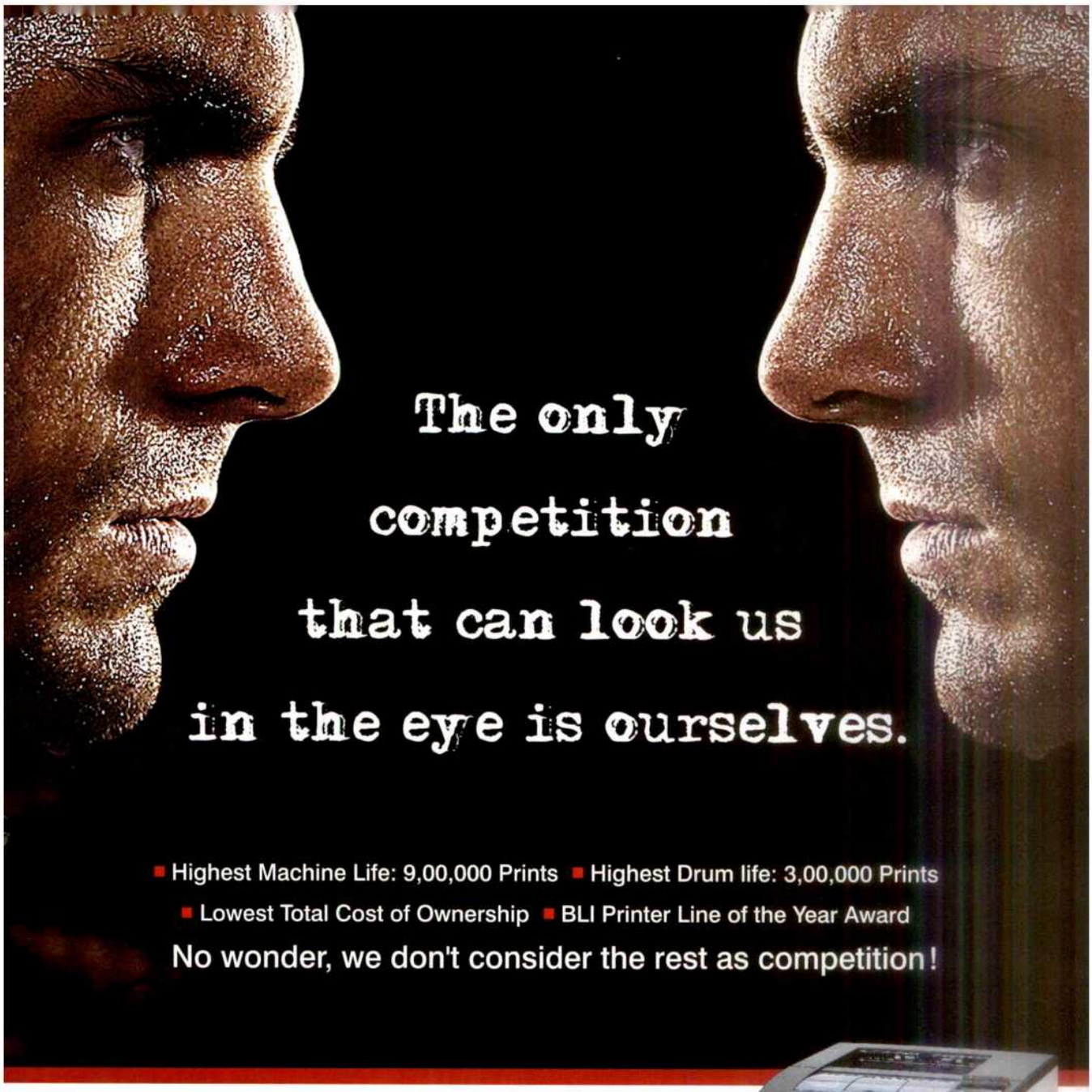
The kilns of cement plants typically burn coal – 150 kg of coal is required to produce a tonne of cement. But it is possible to fire them, at least partially, with hazardous waste (say, paint sludge), used tyre chips, agricultural waste or even municipal waste – but the problem is their availability. "We can reduce our dependence on coal by using other fuels but their supply is minuscule. India generates a huge quantum of municipal waste. What is lacking is a system for processing the waste and making it available to industry in a proper form," says A.V. Dharmakrishnan, Executive Director, Finance, Madras Cements.

Further, though India – and the countries to its immediate south east – have rich sources of natural gas, what is missing is an enabling policy. "Think of a football stadium. Both the teams are on the field. Spectators are eagerly waiting for the game to start and the ball is ready for kick-off. But what is holding up the match is non-finalisation of the rules of the game. Our energy policy is similar," says R. Seshasayee, Vice Chairman at bus and truck maker Ashok Leyland. The same rings true for coal. "What the coal sector needs is more competition with private players in exploration and market-determined prices," says economist Kirit Parikh, who headed a committee on fuel price decontrol.

₹21,600 cr is what Adani has spent on two acquisitions in Australia

At stake is India's fledgling reputation as a base of low-cost manufacturing. Seshasayee does not mince words: "High energy costs will dent competitiveness as it is almost a raw material." Industrial output makes up 16 per cent of the GDP and consumes 45 per cent of the commercial energy. If India is to increase the share of factory output in its economic activity, it will need to have a lot more energy on tap.

Still, people like Carborundum's Srinivasan exude optimism. "When push comes to shove our policymakers will act. I am confident that a solution will be found in the long term. A short-term pain, however, looks inevitable." The question is, how short will that be. ◆



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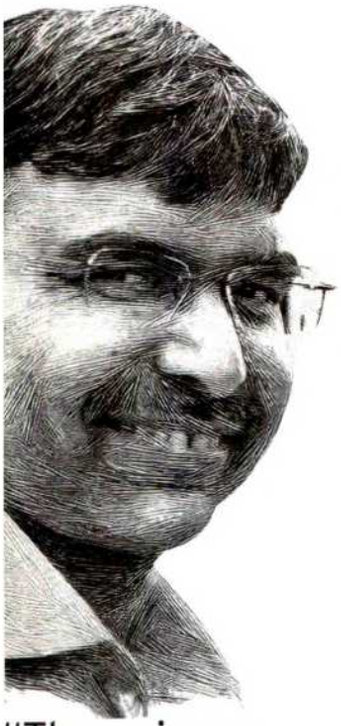

"There is no getting away from the fact that solar will be an intermittent source"

Earlier this week, during a meeting with a top industrialist in India, I listened to his frustration at not being able to bring fresh power generation capacity on stream despite having everything lined up. His project had guaranteed access to coal, all the power generation equipment and a fully concluded Power Purchase Agreement with the national grid. While I could empathise with him, there are probably very few countries today which do not go through an elaborate process before permitting large fossil fuel-based power plants to go on-stream.

The slow and uncertain regulatory process is just one of the issues. The sheer shortage of fossil fuel feedstock (like coal) at affordable prices and the known issues around transmission and distribution losses make the traditional model for power generation and distribution inadequate for India's burgeoning power needs. While most of India is powered through thermal energy, the country recently made a bold commitment to solar power based on a comprehensive policy framework. But the results are contingent on breakthroughs in technology and availability of cost-competitive products, both around generation and storage. The Central Electricity Authority expects an average deficit in power availability of 10.3 to 12.9 per cent during 2011/12. Many actual users will experience a much higher deficit.

Given this environment, there is a need to explore the application of breakthrough technologies and innovative business models across the four elements of the power value chain: demand management, transmission and distribution, generation and feedstock innovation.

Sitting in the front row of a symposium at São Paulo, Brazil, hosted by the local Ethanol Association, I was fascinated by the range and richness of innovative technologies being developed to leverage Brazil's staple commercial product, sugarcane, to solve the world's energy problem. Amyris, a company headquartered in the US, but with manufacturing and research facilities in Usina in Brazil, has pioneered the use of special yeast to bioengineer renewable fuels like biodiesel and jet fuel from sugarcane. Another company is working to convert ordinary sugar into petrol using a catalyst. Further up-stream were technologies to boost the production of sugarcane through high-yield seeds. We need similar research in India.

This year, two of the four winners of the prestigious Ashden Award of Sustainable Energy for 2011 are from India. One of them, Husk Power, has innovated in local generation and distribution of electricity. The company uses rice husk, which is considered agro waste, to generate power locally and then distribute it to nearby villages through a local grid in Bihar. What is most impressive is that it delivers this electricity at less than ₹90 per month to each household, reliably and cleanly.

Given India's high solar intensity, with annual solar yield of 1,700 to 1,900 kilowatt hours per kilowatt peak of installed capacity, the government has rightly embraced solar as the renewable energy of choice. However, there is no getting away from the fact that solar will be an intermittent source. We need to find another energy source to pair up with solar to provide continuous power to users. With the development of a local distribution grid for natural gas, it is time to explore ways to generate base load power using natural gas in a distributed fashion. If we can find an imaginative way to combine intermittent but renewable solar power, with clean gas-based locally-generated electricity and use thermal-grid-based power only for load balancing, we could develop an ideal solution for the power needs of our country. ◆

The writer is Managing Director, Bloom Energy International. The views are personal

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Energising Manufacturing

"The aspiration is to increase the share of manufacturing in India to 25 per cent of GDP by 2025"

Manufacturing constitutes 30 per cent of China's GDP, as opposed to India's 16 per cent. The aspiration is to increase the share of manufacturing in India to 25 per cent of GDP by 2025. Energy, as a significant input, could play the party pooper.

Asian economies, including China, have incentivised industry with lower electricity tariffs and energy costs to boost exports. Thus the Chinese industry accounts for 74 per cent of the country's electricity consumption, while in India it is 45 per cent, 30 per cent of which is met by captive generation, predominately diesel generator sets. Industrial tariffs are the highest and captive diesel generation is three times more expensive. **The high cost of electricity is dissuading investors from energy-intensive projects like silicon fabrication – a vital input for the success of the National Solar Mission.**

The power sector has continuously underperformed in the past two decades, with capacity additions less than 40 per cent of the planned targets. Even with such low power capacity addition, there are coal shortages. It is reported that 17,000 MW capacity is not utilised due to non-availability of coal. In successive plans, Coal India and independent power producers have not been able to get mining projects allotted in time and there are inordinate delays in environment and forest clearances. While coal production needs to be increased eight to 10 per cent every year, the achievement is less than five to six per cent. The country is investing more in exploration of oil and gas than in the coal sector.

It is easier to acquire and develop mines in Australia and Indonesia with predictable timeframes along with the required port and rail infrastructure. But getting coal from outside is expensive and has implications on energy security. Indonesia has recently tightened the conditions on exports and pricing. Long-term coal contracts are not possible. Thus imported coal is likely to be 50 per cent more expensive, with additional challenges of port capacity and rail linkages.

Natural gas availability, allocation and pricing issues continue to fester. Natural gas grid and terminals need to be operationalised at the earliest and industries encouraged to set up co-generation, tri-generation plants for captive power generation to relieve the pressure on diesel. This will smoothen power load and help utilities avoid putting up redundant capacities.

States are reluctant to follow central guidelines to operationalise the 'Open Access' provisions of the Electricity Act. Captive power and renewable power are not allowed to move freely between states. States are resorting to "load-shedding" even when power is available from the power exchanges due to high costs; in fact, last year 10,000 MW capacity was not utilised. Transmission bottlenecks to uplink renewable power, especially wind power, exist in several areas. Industries which set up captive plants due to power shortages and are already incurring high costs of self-generation are further subject to self-generation tax, parallel operating charges, etc. Added to this, unreasonable wheeling and banking charges stymie industry. States need to rethink and remove these irritants to encourage manufacturing investments.

The dream of India turning into a low-cost manufacturing hub will be realised only if energy availability and pricing reflect the international market conditions. Rational energy pricing with reasonable taxes brought under a GST regime is imperative if Indian manufacturing is to acquire a level playing field vis-a-vis competing economies. ◆

The writer is Former Principal Adviser, Confederation of Indian Industry. The views are personal

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Gharana Governance

Willing to change: Since this *BT* cover dated January 7, 1998, Indian family businesses have moved from survival issues to putting in place governance systems

Family businesses in India are evolving unique models that blend rigid rules with flexibility. By E.KUMAR SHARMA

Happy families are all alike, wrote Leo Tolstoy in *Anna Karenina*, (but) every unhappy family is unhappy in its own way. Indian family businesses, however, have turned this sentiment on its head: the successful families often follow dissimilar models, while the reasons for dissent within those that have faced internal schisms are often the same.

One feature, however, unites them all – they are more conscious now of the survival challenges such families face. They have been thinking seriously about issues relating to governance and succession. "There is a global statistic that hits you in the face," says Puneet Dalmia, Managing Director of Dalmia Cements. "Whenever there is a generational shift in a family business, the chances are more than 50 per cent it will not survive in the same way or form."

"There is a lot of self-discovery happening," adds Kavil Ramachandran, Thomas Schmidheiny Professor of Family Business at the Indian School of Business, Hyderabad. "Our business families are in the process of evolving their own models."

Taking a cue from the West, quite a few successful Indian business families have formulated family constitutions to guide their actions. Four of the five featured here – the GMR Group, the Emami Group, the Dalmias and SRF – have done so. But others, equally successful, oppose such constitutions, believing regular dialogue between family members involved in the business is far more crucial. They swear by family council meetings and regular family lunches to ensure smooth functioning.

Some believe family members should not interfere in the business at all for it to prosper. Others are equally vehement that a 'hands off' policy is suicidal. But some kind of policy has to be in place. "Issues in any family business are universal. One is well advised to have a policy before the need arises," says John L. Ward, consultant to leading businesses in India.

With a patriarch or *malik* – whom everyone must defer to – at the head of many family businesses in India, conflicts can take on peculiar cultural hues. But the patriarch too is changing, having realised that keeping the family together is as important as growing the business.

More on family businesses at
www.businesstoday.in/family-governance

Relationship of Equals

DEBASISH PAUL/www.indiatodayimages.com

Second generation leaders: Harsh (left) and Aditya Agarwal. (Behind) Priti Sureka and Manish Goenka

SIZE:
₹3,500 crore

NO. OF GENERATIONS IN BUSINESS:
2

KEY MEASURES IN PLACE:
Constitution drafted, succession plan chalked out

GOAL:
Staying together

MANTRA FOR SUCCESS:
Learn the art of giving, not taking. Respect one another and adjust

Emami is not one business family, but two. Two generations of two separate families, the Agarwals and the Goenkas, run it, making governance a bigger challenge than it usually is for family businesses. If the group runs smoothly, it is because the patriarchs of both families swear by the concept of *sambandh*, or a relationship of equals, and take pains to drill it into their extended families' minds.

If Radhe Shyam Agarwal, Executive Chairman, offers business advice to the two sons of his friend and partner Radhe Shyam Goenka, the Joint Chairman, the sons, Manish and Mohan, always take it. Ditto when Goenka senior has anything to say to Agarwal's three children, Harsh Vardhan, Aditya Vardhan and Priti Sureka. "*Sambandh* is more important than business," says Goenka. There are 16 family members across Emami Ltd, the listed flagship, and other group companies.

The two patriarchs have also worked out a draft constitution. Goenka says the views of the younger generation were taken into account while preparing it. The elders, for instance, wanted the family to eschew businesses involving non-vegetarian food, tobacco or pan masala, and alcohol. This ruled out the possibility of the hotels business. "There were a lot of discussions... and it was decided that we can outsource it," says Goenka. (The group has no hotel ventures yet.) The constitution, which runs into around 50 pages, does not attempt to codify every detail. "We have taken care not to make it look like a legal document... If we try to give too much of legality in a relation... people will show it to lawyers," says Agarwal. SOMNATH DASGUPTA

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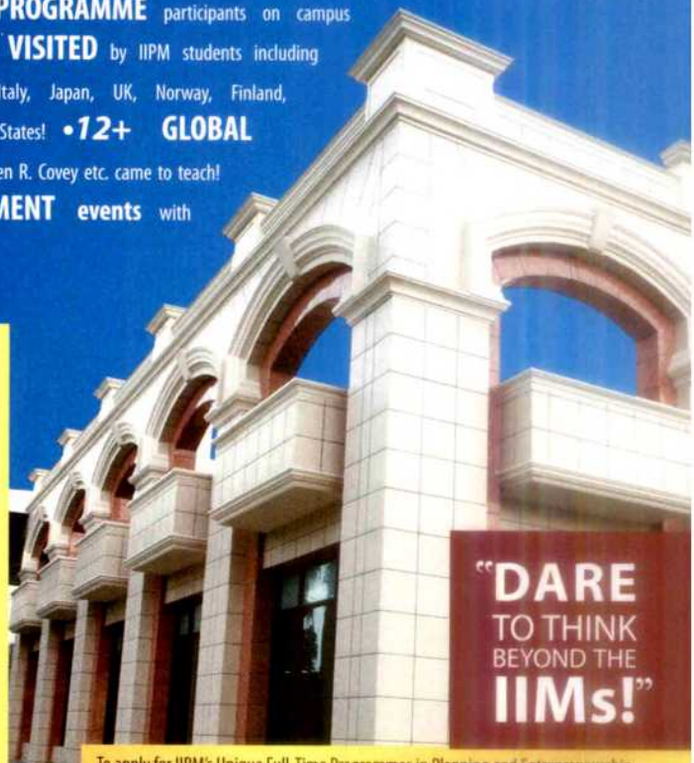

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Francis Flynn — September '10
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Delhi, Mumbai, Hyderabad

Duke University, Fuqua School of Business
Prof. Gurhan Kok — October '10
Strategic Supply Chain Management
Delhi, Chandigarh, Dehradun, Jaipur

McCombs School of Business
Prof. Gaylen Paulsen — October '10
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Delhi, Bangalore, Pune, Mumbai

UMICH, Dearborn
Prof. Aaron Ahuvia — November '10
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Delhi, Cochin, Bangalore, Hyderabad

Wharton Business School
Johannes Penning — Novembeer '10
Innovation
Kolkata, Indore, Bhopal, Cochin

Haas School of Business
Frank Schultz — December '10
Strategic Thinking: Devising Strategies for Competitive Advantage
Bangalore, Mumbai, Ahmedabad, Delhi

Kellogg School of Management
Lakshman Krishnamurthi — December '10
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Kolkata, Bangalore, Cochin, Chennai

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Kolkata, Bhubaneshwar, Ahmedabad, Mumbai

IMD
Jack Wood — March '11
Leadership and OB
Delhi, Chandigarh, Lucknow, Chennai

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Hugh O'Neill — March '11
Developing Winning Strategies
Hyderabad, Mumbai, Pune, Ahmedabad, Bhopal

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Dennis Chookaszian — April '11
Global Trends in International Governance
Delhi, Chandigarh, Bangalore, Pune, Mumbai

Columbia Business School
Kamel Jedidi — April '11
Customer Centric New Product Development
Kolkata, Indore, Bhopal, Cochin

NYU, Stern
Michael Liersch — May '11
Negotiation and Leadership
Delhi, Ahmedabad, Cochin, Bangalore

MIT Sloan School of Management
Don Rosenfield — May '11
Negotiation and Leadership
Delhi, Dehradun, Jaipur, Chandigarh

Duke University, Fuqua school of Business
Sharon Belenzon — June '11
Analysis of the Sources of Competitive Success
Delhi, Jaipur, Indore, Bangalore

Kellogg School of Management
Masud Arjmand — June '11
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Kellogg School of Management, Northwestern University
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Leadership & Strategic Social Interaction in High-Impact Teams
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Building and Sustaining Success: Understanding the Role of Resources, Capabilities & Competencies
Chandigarh, Dehradun, Bhubaneshwar, Hyderabad

Darden School of Business, University of Virginia
Prof. Marc Modica — August '11
Negotiating Good Agreements: The Art of Creating and Claiming Value
Cochin, Bangalore, Kolkata, Lucknow, Delhi

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Vedic works: Subbiah with a portrait of founder Murugappa Chettiyar

SIZE:
₹17,051 crore

NO. OF GENERATIONS IN BUSINESS:
4

KEY MEASURES IN PLACE:
Reliance on formal and informal communication channels

GOAL:
To live by values for future generations to learn and imbibe

MANTRA FOR SUCCESS:
Family reputation more valuable than money

Keep Talking

For decades, he managed the affairs of the Murugappa Group of companies. Yet after retiring as chairman in 2004, M.V. Subbiah, now 72, chose to study management. He spent a year at the Kellogg School of Management in the US, researching family-run businesses.

The sojourn gave him a nuanced perspective and very definite views on such businesses. He is totally opposed to family businesses having written constitutions. "The notion of such a constitution comes out of Anglo-Saxon culture, which is based on do's and don'ts. Our culture is Vedic and driven by *dharma* which lays down what each person has to do," he says. Japan has some of the oldest and most successful family businesses, he points out, but the concept of a family constitution does not prevail there.

Curiously, however, the Murugappa Group – a Chennai-based ₹17,051-crore conglomerate with interests in sugar, farm inputs, bicycles, industrial products and financial services that started as a moneylending and banking business in 1900 – is working on a written constitution. Put this to Subbiah and his response is pat. "It is permanently in the draft stage," he says.

"Dialogue is far more important than a written constitution," he says. "There should be communication between family members. The strain comes in when family members stop communicating with one another." He adds: "There have been many family businesses across the world which had a written constitution but still collapsed, as they failed to practise it in spirit."

He says that reputation is more important than money. "This cannot be effectively conveyed in writing. We need to live by it for the next generation to imbibe it," he adds. He sees merit in a written constitution only when a family is large and its members are not involved in the day-to-day running of their companies.

Subbiah rubbishes the view that professionally-run businesses do better than family-owned ones, using a modern weapon: data. He says research shows family businesses that stick to Indian values are more successful than those that are merely professionally-run. N. MADHAVAN

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Talk time: Puneet Dalmia (right) with family members

Cementing Ties

Puneet Dalmia, 38, Managing Director, Dalmia Cement, explains why it is important for business families to look closely at issues relating to family, business and governance. "My grandfather started Dalmia Cement in 1935," he says. "Mine is the third generation. There is a statistic that hits you in the face. Whenever there is a generational shift in a family business, chances are more than 50 per cent that the business will not survive in the same way or form. In the third generation, this probability increases to 90 per cent."

To understand the subject better, Dalmia signed up for a six-week course at the International Institute for Management Development in Switzerland. Later, in 2006/07, all Dalmia family members took a three-day course on family businesses at the Indian School of Business, Hyderabad. Today, the Dalmias have in place both a family council and a written constitution. "Anything verbal is subject to memory lapses and to misinterpretation, whereas what is written down brings everybody on the same page," says Dalmia. He takes very seriously what John L. Ward, the family business guru, once told him: "Have a policy in place before the need for it arises."

Dalmia feels the Indian family structure – particularly the joint family – is a huge emotional and social asset. The family tries to leverage this. Four key family council members (Puneet, his father, Y.H. Dalmia, uncle J.H. Dalmia and cousin Gautam Dalmia) hold meetings every Tuesday afternoon.

Why do families break up? "It happens when people start becoming bigger than the institution. Selfish motives become more important," says Dalmia. E. KUMAR SHARMA

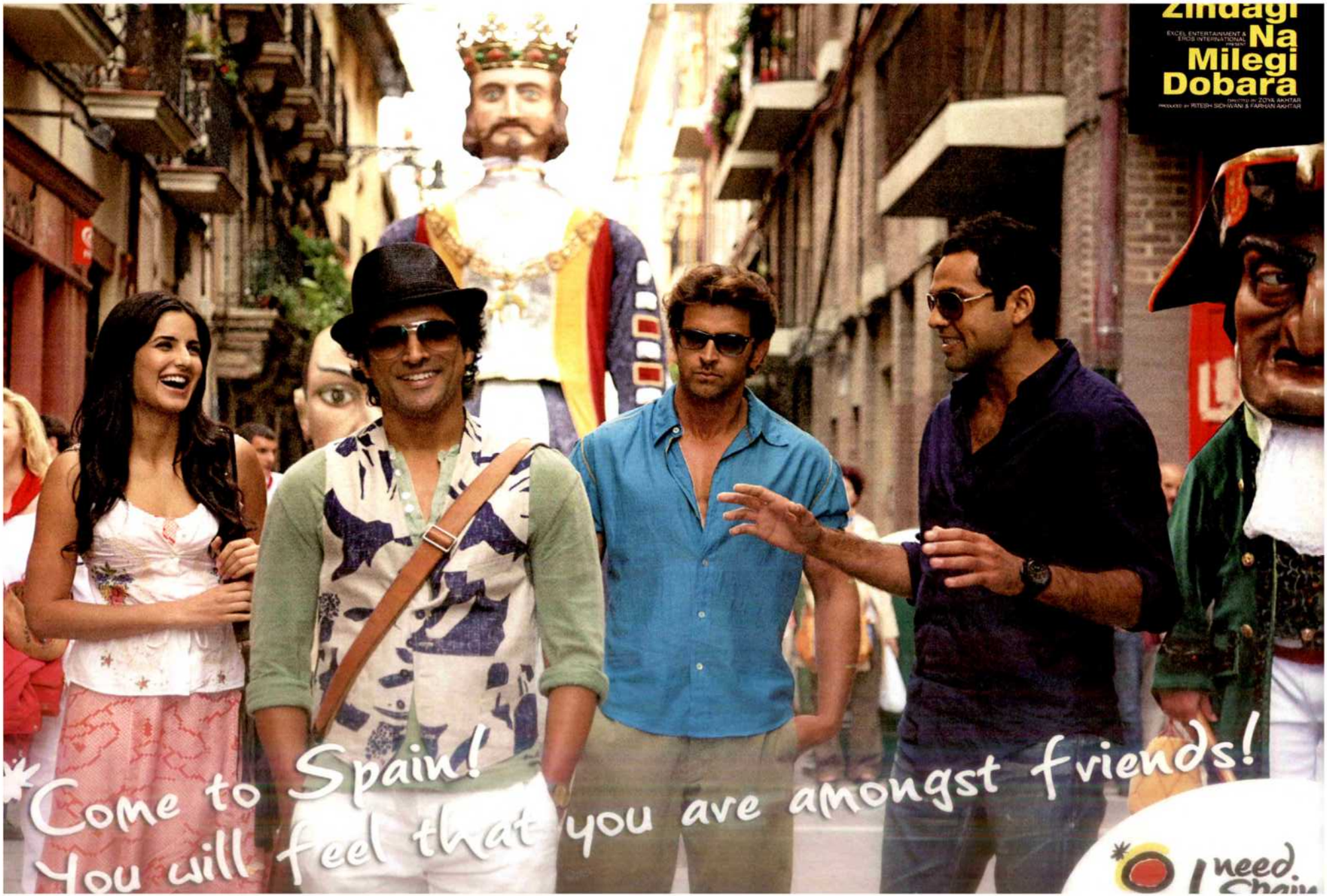
SIZE:
₹4,400 crore

NO. OF GENERATIONS IN BUSINESS:
3

KEY MEASURES IN PLACE:
Family council formed, constitution drawn up

GOAL:
Ensure family role on all fronts: in people welfare, risk taking and capital allocation

MANTRA FOR SUCCESS:
Increase tolerance, listen closely to others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Hands on: Arun Bharat Ram (right) with his sons Ashish and Kartikeya

SIZE:
₹3,391 crore

NO. OF GENERATIONS IN BUSINESS:
3

KEY MEASURES IN PLACE:
Family constitution

GOAL:
Ensuring family lives in harmony and continues to serve the business

MANTRA FOR SUCCESS:
Managing the family is as important as managing the business

Learning from Experience

Arun Bharat Ram, Chairman of SRF, knows the downside of family businesses well. The one he was originally part of, Delhi Cloth Mills, now called just DCM, has split twice – in 1989 and again in 1999. The first time it broke into four: DCM, DCM Shriram Industries, DCM Shriram Consolidated and Shriram Industrial Enterprises; the second time, SRF – a DCM subsidiary since 1970 – broke away. Even at 70, he is totally hands on, keeping a strict vigil to ensure conflicts are nipped early.

SRF too has formulated a constitution to guide family members. "A constitution does help in reducing conflicts to some extent," says Ram. But he is aware of its limitations. "Even a constitution cannot guarantee protection against splits," he adds.

Ram acknowledges that in the past Indian business families, including his own, may not have given family issues the attention they deserved. "Managing the family is as important as managing the business," he says. "In India, in the past, we neglected our families and concentrated on managing the business."

Ram ensures frequent family lunches, outings and even vacations so that the bonding between family members remains strong. Though their businesses are now entirely separate, he keeps in close touch with other members of the DCM *parivar* as well. "We meet at least twice a month and share a great relationship with our cousins," says Kartikeya Bharat Ram, Arun's younger son and Deputy Managing Director of SRF.

Values too are changing, albeit slowly. Unlike in the past, the once arch-conservative SRF family now allows daughters to play an active role in the business, though daughters-in-law are still barred. SUNNY SEN

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Strong Constitution

March 3, 2007, Sariska Palace Resort, Rajasthan. It is a crucial date and location for the GMR family. It was on this day at this venue that GMR family members signed their family constitution in the presence of senior executives, one of the first business families to do so. The first-generation business family thus sent a clear message to its employees that it would stick to some ground rules of governance and transparency. It set out a long-term sustainable governance structure in writing, one which clearly delineates the rights and duties of family members.

"To succeed, a business family must practice the family constitution, and not let it remain on the bookshelf," says GMR Group founder G.M. Rao. "It should remember that it needs to manage the family like a business, and the business like family." He believes processes are key. "We have created processes for institutional linkage between family members in business and professional managers," he adds. "We have created a succession planning process from the family to the business that will see us through in terms of leadership for a long time to come. We have also created a strong and supportive community of some of the best brains as advisers, coaches and mentors."

But the agenda of the ₹6,425 crore infrastructure company is clearly still set by the family. Rao feels it is important to attract and retain the best professional talent, but he gives much weight to family input as well. Each family member heading a business, he says, provides essential elements of networking, entrepreneurial risk-taking and, most importantly, embodies the spirit of GMR. He also believes in role rotation among family members within the business, which helps to create in them an "integrated perspective", enabling family and business cohesion.

E.KUMAR SHARMA

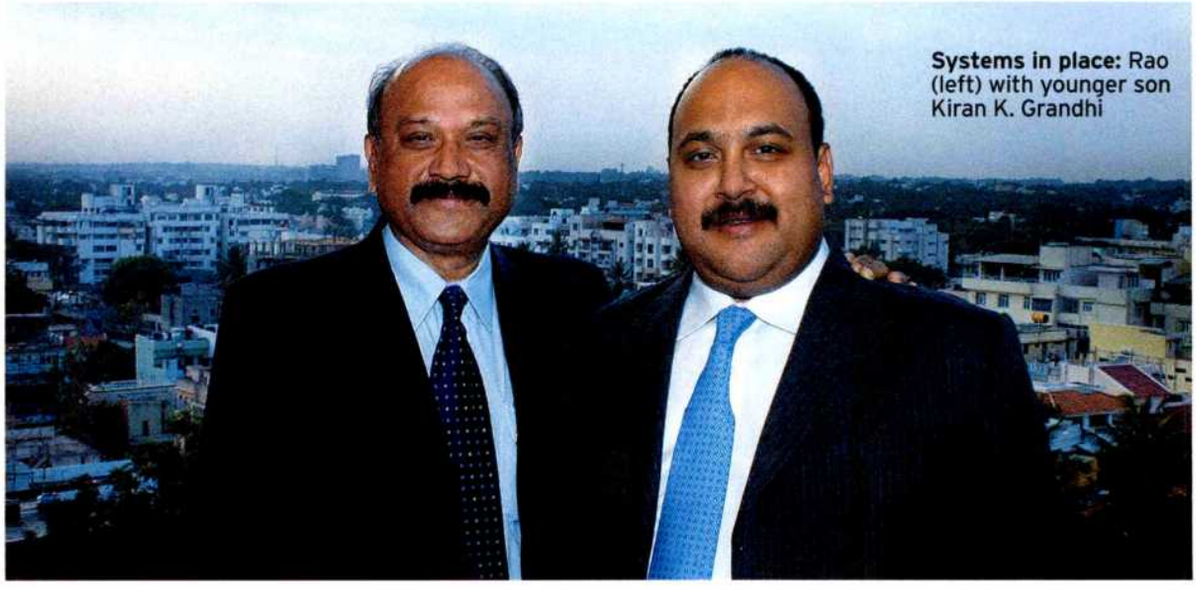
SIZE:
₹6,425 crore

NO. OF GENERATIONS IN BUSINESS:
2

KEY MEASURES IN PLACE:
Family constitution drawn up, governance structure spelt out

GOAL:
To be an institution in perpetuity

MANTRA FOR SUCCESS:
Practice the constitution



Systems in place: Rao (left) with younger son Kiran K. Grandhi

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A Journey of Self-Discovery

In the past few years, Indian family businesses have demonstrated remarkable interest in transforming themselves as professionally-run, growth-oriented, entrepreneurial ventures. This is the beginning of a long journey. There is a lot of self-discovery happening in many business families; from the 'awareness' stage, they have started moving to 'action'. But this journey will not be very easy for at least two reasons. One, implementing something that is acceptable logically, but not emotionally, will require substantial clarity on the road ahead and some hand-holding. Two, there are not many multi-generational businesses in India that families can refer to as models of separation of ownership and management. The rapid growth of the economy and the pressures of learning on the run on both the business and family front, add to the challenge. We are in the process of evolving our own model of family businesses.

Fundamentally, business is a different system driven by competitiveness, whereas family is largely driven by emotion and compassion. We need to educate business families across the country about these divergent systems. This is critical in India, given our short history of rapid industrialisation. Consequently, most families are on a 'discovery-driven journey' into the unknown that can be turbulent. We need to use examples of families such as the Murugappas, Godrejs and Burmans of Dabur to demonstrate the benefits of a disciplined approach to governance on both the business and family fronts.

In some sense, India is experimenting with multiple models, most of them different from the well-known western model of separating family and business management. Our cultural background of the owner demonstrating commitment through direct involvement, and the predilection for indigenously developed management (as against systems and processes) have led to the emergence of several shades of an Indian model of family business. At its core sits the family CEO or chairman. This is based on the assumption that a family member is more passionate about the business than a non-family executive. While most families are keen on keeping the business together with family units often living separately, there are others who take the path of entrepreneurial rebirths in every generation. In the latter, a style-driven entrepreneur of a family business who is constantly exploiting attractive emerging opportunities attempts to retain ownership as well as management control. The Jindals of the O.P. Jindal Group seem to follow this model, which is more volatile than the conventional holding company pattern. Our inherent tendency to mix up family, personal and business matters has the danger of triggering misunderstandings and a final break-up. It will be a while before we see more stable and unified multi-generational businesses here.

The Indian model is growing stronger with the presence of an independent board of directors. The evolution is slow but there are clear signs of several family businesses recognising the need to have a strong board that often doubles as a mentor.

Our brief history of professionalisation and the limited insight family executives have into processes leave the situation amorphous. Many family feuds such as that of the Ambanis reflect of the struggle to manage the transformation we are witnessing.

It will be a while before we see unified multi-generational businesses in India

The author is Thomas Schmidheiny Chair Professor of Family Business and Wealth Management at the Indian School of Business, Hyderabad

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Mentor the *Malik*

It is well-known that most large Indian family businesses have outperformed traditional non-family companies, including several MNCs, on metrics of financial stability, performance and sustained growth. Nevertheless, many Indian family businesses of medium size, typically ₹1,000 to ₹2,000 crore companies, continue to grapple with challenges related to managing growth within the country and outside. The impediments appear to be arising from inadequate understanding of corporate strategy and a lack of focus on family governance. There are exceptions: Some large family business operations of sizes exceeding several thousand crore, such as the erstwhile Satyam Computer Services, have had to deal with issues emanating from lack of governance while there have been cases of a very high order of governance being demonstrated by smaller players like Emco Transformers and Hemas Holdings, or other players who have scaled up quickly, like Magma Fincorp.

Mentoring is an effective tool that organisations use to nurture and develop their top family managers as well as to groom the next generation. The mentor's job is to hand-hold and facilitate a system of intense learning; to use experiences as a learning tool through case examples. The family managers at top functions need a sounding board when trying to audit proposals and help resolve relationship management issues between family and non-family managers. Companies like VIP Industries and HRH Group (a major chain of luxury hotels in Rajasthan) have successfully used the mentoring tool. The essential elements of mentorship in family business include facilitating, coaching, setting goals, auditing performance and sharing experiences.

A very important aspect of Indian family businesses which does not emerge as important elsewhere is the issue of family tradition and culture. Sensitivities concerning emotional bonds can be major impediments to implementation of good governance practices. But emotions will have to be addressed and cannot be wished away. Today, about a third of Indian family businesses address this issue against maybe a tenth a decade ago.There can be no defined family governance process unless there is 100 per cent ownership and commitment to an organisation's vision, mission and values. These must under no circumstances be conflicting with family traditions, ethos and value. Once this is achieved, the formulation and implementation of a corporate strategy becomes much simpler and sustainable.

Another aspect of family business governance is the need to have a professional and harmonious relationship between family and non-family managers. Similarly, only the best within the family must be assigned responsibilities, and must earn the respect of their non-family colleagues through their achievements and sincerity of purpose.

Many family businesses in India suffer from the display of what is loosely called the *malik* attitude of senior board members from the family. They may display arrogance, which destroys relationships between non-family and family managers, and harms values openly espoused by all. This attitude could erode the value of an organisation rapidly. I have seen some very capable managers leaving a company for just this reason.

The best within the family need to earn the respect of non-family colleagues

The author is co-founder and chairman, Blue Ocean Capital and Advisory Services and has mentored many business heads. He is on the board of 12 companies and was the former CEO of Videocon

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Last Man Standing

Chairman R.K. Upadhyay may be BSNL's final hope.

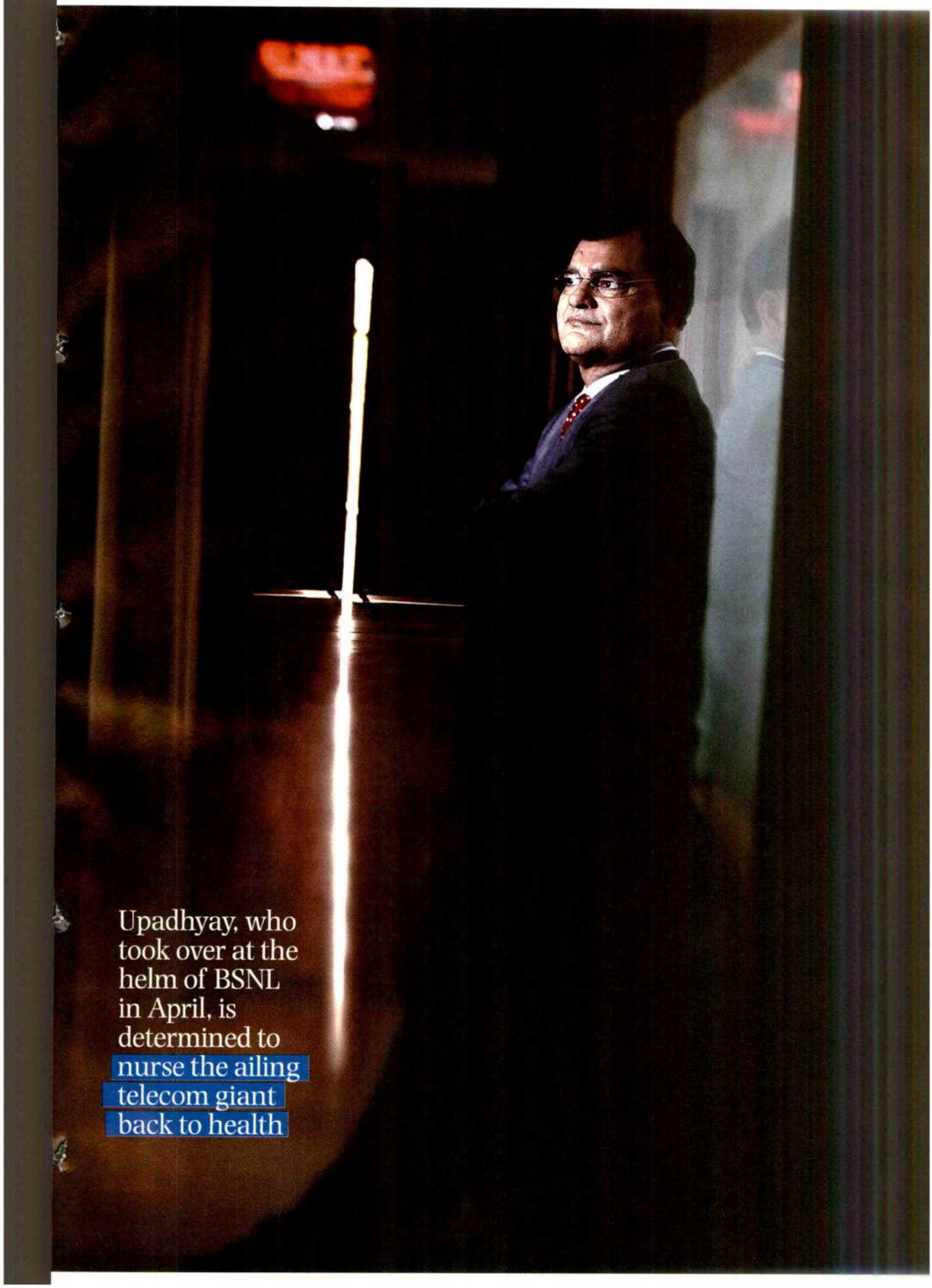
By SUNNY SEN

The tsunami that struck India's eastern coast on December 26, 2004, killing over 10,000 people, also destroyed – along with much else – a large clock at the Bharat Sanchar Nigam Ltd, or BSNL, telephone exchange in the Andaman and Nicobar Islands. The hands of the clock stopped at 6.43 in the morning and have not moved since. Though the company's decline may have begun even earlier, BSNL insiders often link the start of its downfall to that fateful moment. The year 2004/05 was the one when it clocked a record profit of ₹10,183 crore, but it has been downhill ever since.

After the tsunami, the local sub divisional officer and his team worked round the clock to restore communications, finally succeeding after 72 hours. They knew it was crucial: BSNL lines were then the only means by which people on the islands could establish contact with the world. If a BSNL exchange was to collapse in any part of the country now, it would hardly matter. There are numerous other, more efficient telecom providers.

Despite the formidable legacy it inherited – hived off in 2000 from the Department of Telecommunications which had monopolistic control of telephone services across the country for decades till privatisation set in – BSNL is in serious trouble today. After three years of falling revenues starting 2006/07, it slipped into the red for the first time in 2009/10, recording losses of ₹1,823 crore. Its losses in 2010/11 have yet to be computed, but are estimated by various sources at around ₹5,000 crore. (See *Decline and Fall.*) In revenues it is now well behind Bharti Airtel, ₹30,000 crore against Bharti's ₹39,615 crore in 2009/10. In the same year it ranked fourth in mobile phone subscribers – behind Bharti Airtel, Reliance Communications and Vodafone.

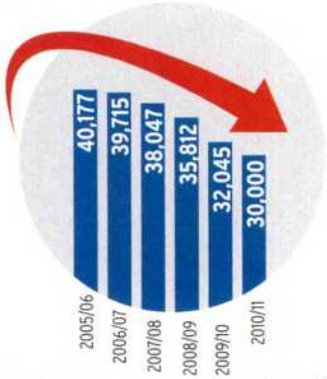
Astoundingly the slide occurred at a time when the telecom sector was expanding exponentially, adding – at the peak – 15 million mobile subscribers every month. Against five players and 47 million subscribers in 2004/05, there are now 13 players and 700 million subscribers. But far from being able to take advan-



Upadhyay, who took over at the helm of BSNL in April, is determined to nurse the ailing telecom giant back to health

Decline and Fall

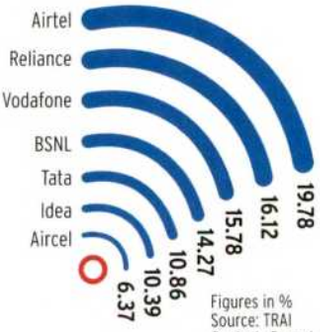
BSNL's revenues have been on a decline since 2006/07



Figures in ₹ crore Source: BSNL

Struggling to Keep Up

BSNL is in fourth position in the mobile phones market



Figures in %
Source: TRAI Quaterly Report, Oct to Dec 2010

Lord of the Land

BSNL still rules the landline segment

Figures are no. of subscribers in million

tage of the boom, BSNL has been losing both subscribers and money.

Yet Rakesh Kumar Upadhyay, who took over as Chairman and Managing Director at the end of April, is convinced his ailing company still has the capacity to bounce back. What does he plan to do?

Revival Strategy

Given the state of BSNL, attracting large numbers of new subscribers in the immediate future is ruled out. Upadhyay knows he must find other means of generating revenues. One such, he believes, is to use the 60,000-odd telecom towers BSNL owns more effectively. Since each tower can be used by at least three telecom providers, a number of other companies have entered into agreements to lease out the ones they own or share them. For instance, Bharti Airtel, Vodafone and Idea Cellular have launched a joint venture company, Indus Towers, and are sharing towers. Well after others had done so, in late 2009, BSNL signed a 10-year tower sharing arrangement with Aircel, but given its formidable tower strength, it has the potential to work out more deals. "I have reactivated the mechanism of renting out towers wherever possible," says Upadhyay.

If a BSNL exchange was to collapse in any part of the country now, it would hardly matter

Yet another lucrative income source, says Upadhyay, could be the considerable amount of office space BSNL owns. It has spacious offices in every part of the country, including semi-urban areas – a legacy of the pre-liberalisation days – large parts of which are unused. Why not rent the empty rooms out? "It should be a great opportunity for companies, especially IT and ITeS companies," says Upadhyay.

The ailing giant has also sought to improve its billing – which consumers often complained about – by introducing an improved system called Call Data Record, or CDR, to replace the existing meter-based billing. This will generate a single bill even if multiple BSNL services are being used by a consumer. The technology may have been introduced before Upadhyay took over, but he intends to pursue its installation vigorously. CDR will improve customer experience by drastically bringing down instances of excess billing, while also enabling BSNL to reduce operational costs.

A 1975 batch Indian Telecom Services Officer, who has been taking a close look at all aspects of BSNL's functioning, Upadhyay says he has told his chief general managers in every circle that revenues have to increase. "Functions at every level will have to improve," he says.

Former BSNL Chairman Prithipal Singh, under whom Upadhyay worked as a Chief General Manager, believes the man means business. "He is an aggressive leader," says Singh. "He is hard working and has the strength to take risks."

What Went Wrong

BSNL's woes can be traced to the fact that it never fulfilled the purpose for which it was created. It was separated from DoT so that it could be run as an autonomous entity on corporate principles. But it never was, say insiders. Most decisions, big and small, stemmed from political considerations. Even the media channels in which it should advertise were decided by political masters. "BSNL is like a child everyone wants to exploit," says S.D. Saxena, former Director, Finance, with the company. "Politicians think they own it."

This may well be the reason why BSNL, despite having been on the list of public sector units slated for

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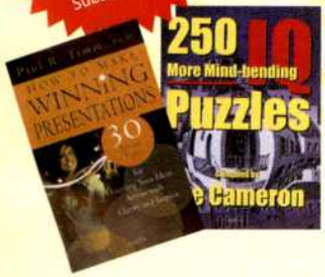

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Critical: S.D. Saxena, former Director, Finance, BSNL

SHEKHAR GHOSE/www.indiatodayimages.com

disinvestment – and subsequent listing – for years, remains fully government-owned. Disinvestment will force greater transparency, making politically motivated decisions that much more difficult. So too the long-time proposal to merge BSNL with Mahanagar Telephone Nigam Ltd, or MTNL, has never been seriously pursued. With MTNL having been disinvested and listed in 2002, any such merger would have made the combined entity a listed company too. And now, with MTNL too making losses, such a merger would make little sense, points out Saxena.

Thus when the mobile phone revolution hit its peak in 2004/05, BSNL was least prepared to meet it. While its rivals expanded their networks rapidly and marketed their products aggressively, BSNL – bogged down by external control and a big bureaucracy – failed to take or implement quick decisions. Besides, with its legacy of having been sole operator, marketing was never its strong point. Finally in 2007, having woken up to the need to expand, it called for tenders to buy $10 billion worth of GSM, or global system for mobile communication, equipment. The equipment has yet to be procured. Equipment provider Nokia Seimens Network went to court protesting BSNL's tendering process, sparking off a prolonged legal wrangle.

BSNL's woes can be traced to the fact that it never fulfilled the purpose for which it was created. It was separated from DoT to be run as an autonomous entity, but it never was

In 3G services, BSNL got the first mover advantage when it was allotted additional spectrum in early 2009, while private players were allowed to enter the fray only in May 2010. But its 3G services have had few takers, thanks to poor branding and marketing. "BSNL just doesn't have the marketing aggression of the private sector," says Mahesh Uppal, Director, Com First, a telecom policy consultancy firm.

The legacy of DoT also brought BSNL a workforce of 280,000; in 2009/10, it spent 41 per cent of its revenues in paying salaries. In contrast, a key factor behind rival Bharti Airtel's success is its strategy of outsourcing most non-core activity. It has just 20,000 employees on its rolls, though an equal number work exclusively for it to fulfill the outsourcing contracts it has with the likes of IBM, Firstsource, Ericsson and Oracle. BSNL must do everything in house; even so, many of its employees have little to do. "We are working on some plans for staff reduction, including a voluntary retirement offer," says Upadhyay.

With his company plagued by poor governance, poor customer-connect and almost zero marketing, Upadhyay, for all his optimism, has many sleepless nights ahead. ◆

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GOODBYE US

Indians who have studied or worked in the US are coming back home in hordes to become entrepreneurs

By TASLIMA KHAN

Meet Gaurav Bhatnagar, serial entrepreneur. As a fresh graduate of the Indian Institute of Technology, or IIT, Delhi, in 2001, he jumped at the chance to work at software giant Microsoft's headquarters in Redmond. The entrepreneurship bug bit him, and he returned to India in 2004. He launched Tekriti, a software consulting company, in 2005, Travel Boutique Online in 2006, and Mediology Software, a digital media solutions company, in 2009.

"I never thought of starting a company in the US," says Bhatnagar. His reasoning: the economy was growing faster in India, and so were the opportunities for start-ups.

Today, many Indians who went to the US for higher studies or work are returning to become entrepreneurs. "In the 1970s and 1980s, our best doctors and engineers went to the US ... for the incomparable advantages of dollar salaries, lifestyle and challenging jobs," says Pradeep Gupta, founder of Cybermedia, a media company. "Now these things are comparable."

The US-based Kauffman Foundation, which researches and promotes entrepreneurship, found in a recent study that tens of thousands of Indian and Chinese skilled work-

ers return home from the US each year. China's Ministry of Education estimates that 108,000 Chinese returned after getting an overseas education in 2009 – up 56 per cent from 2008.

"The likes of N.R. Narayana Murthy started the entrepreneurship wave in the country, and we are now seeing Entrepreneurship 2.0," says Som Mittal, President, National Association of Software and Service Companies, or NASSCOM. "In India, the mentorship and financing ecosystem is better than it was a decade ago," he says.

Silicon Valley remains the hottest place for technology start-ups. Indians Karthik Manimaran and Jyotibasu Chandrabasu, started a company called Resu.me there recently, which they position as a rival to LinkedIn. "It's tough to add an innovative product in the US, a mature market," says Chandrabasu. "But in India, people are just beginning to get savvier." The duo plans to set up an India office this year, and is considering moving back, too.

"The cost of starting a business in India is a fraction of that in the US," says Himanshu Agarwal, founder of Aspiring Minds, a company that offers recruiters personality assessment solutions. He worked at California-based Network Appliance for four years before returning to start his company in 2007. "India is a great place to build a world-class product cheaply, and then reach out globally," says Bhatnagar, whose travel company now has a Dubai office, and plans more in Africa.

Simple business ideas are more likely to work here than in the US. So, for example, while Americans take ambulances and trained paramedics for granted, only six per cent of Indians have access to such services. This prompted Shaffi Mather, Manish Sacheti, Ravi Krishna, Naresh Jain and Shweta Mangal – who all returned to India from the US – to start Ziqitza Healthcare in Mumbai in 2005. "The fleet has grown to 566 ambulances in Punjab, Rajasthan, Bihar, Mumbai and Kerala," says Mangal.

Another example: in 2007, online ticketing was a decade old in the US, but Indians had to queue up for tickets. Neetu Bhatia, who worked with Bank of Montreal and Lehman Brothers in the US, came to India to start ITKTS Interactive Technologies, an online ticketing company that sells sports and entertainment tickets via its website, KyaZoonga.com. "India is a billion-dollar market," she says.

> Failure is not the stigma it used to be. Indians now understand that risk-taking is what entrepreneurship is all about
>
> **Som Mittal,** President, NASSCOM

Five years ago, start-ups struggled harder than they do now. IIT Delhi graduate Varun Khurana, who also worked at Network Appliance, and Lomesh Dutta, who got a Master's degree from the University of New Mexico, returned in 2006 to start Wirkle, a mobile phone applications company, with a friend, Sunil Goyal. Their basement office in Delhi often got flooded when it rained. "There was no broadband," says Goyal. "We got a connection somehow. Things are better now."

When Wirkle started, India's mobile applications market was bigger, and growing faster, than America's. "Apple's iPhone changed the game," says Goyal. Now most of Wirkle's revenues come from the US. Attitudes here have changed, too. In the US, failure is acceptable. "People leave Google for a start-up," says Dutta. "Here, when we hired our first engineer, we had to convince his father that he had a future with us." Says NASSCOM's Mittal: "People now understand that risk-taking and failure are what entrepreneurship is about."

The US has awoken to the potential loss: immigrants have started more than half of Silicon Valley's tech companies, and contribute more than a quarter of its global patents. Last year, US Senators John Kerry and Richard Lugar proposed the Startup Visa Bill, which would grant permanent resident status to immigrants who raise an initial investment of at least $20,000, and create at least three jobs in two years. But few return because of visa issues. The Kauffman Foundation report, which surveyed 153 Indians, says the main reasons were career opportunities, family and quality of life. Most were middle-level executives with deep domain experience. For India, it means more expertise and jobs. ◆

business today BEST CFO AWARDS YES BANK

The Country's CFO Holds Out Hope

Champion financiers: (L-R) R. Rajendran (Lakshmi Machine Works); Sanjeev Churiwala (Ambuja Cements); M. Srinivas (Opto Circuits); D. Morada (Larsen & Toubro, for Y.M. Deosthalee); Vijay Dhawan (Mazars, event partner); India Today Group's Aroon Purie; YES Bank's Rana Kapoor; Finance Minister Pranab Mukherjee; Uday Phadke (Mahindra Group); Planning Commission Deputy Chairman Montek Ahluwalia; Harjeet Kohli (Bharti Airtel, for Akhil Gupta); Ravi Sud (Hero Honda); Ajay Seth (Maruti Suzuki); Ankur Saxena (Infosys, for V. Balakrishnan); Mehernosh Kapadia (GSK); Sangeeta Gulati (Educomp); Indrajit Banerjee (Cairn India); and D.K. Sarraf (ONGC)

Y.M. Deosthalee, Chief Financial Officer with Larsen & Toubro, was restless. He had been chosen the overall Best CFO by the *Business Today*/YES Bank jury, but had to leave for Singapore on the very night, July 5, for which the awards were scheduled. He reached the ceremony venue well in time, but had to keep one eye fixed firmly on his watch. Immediately after collecting both his awards – he also won in the category of Best Transformation Agent (Large Companies) – he dashed off to the airport, barely making his flight, but missing out on the group photograph of all the winners (see above) taken as the ceremony ended.

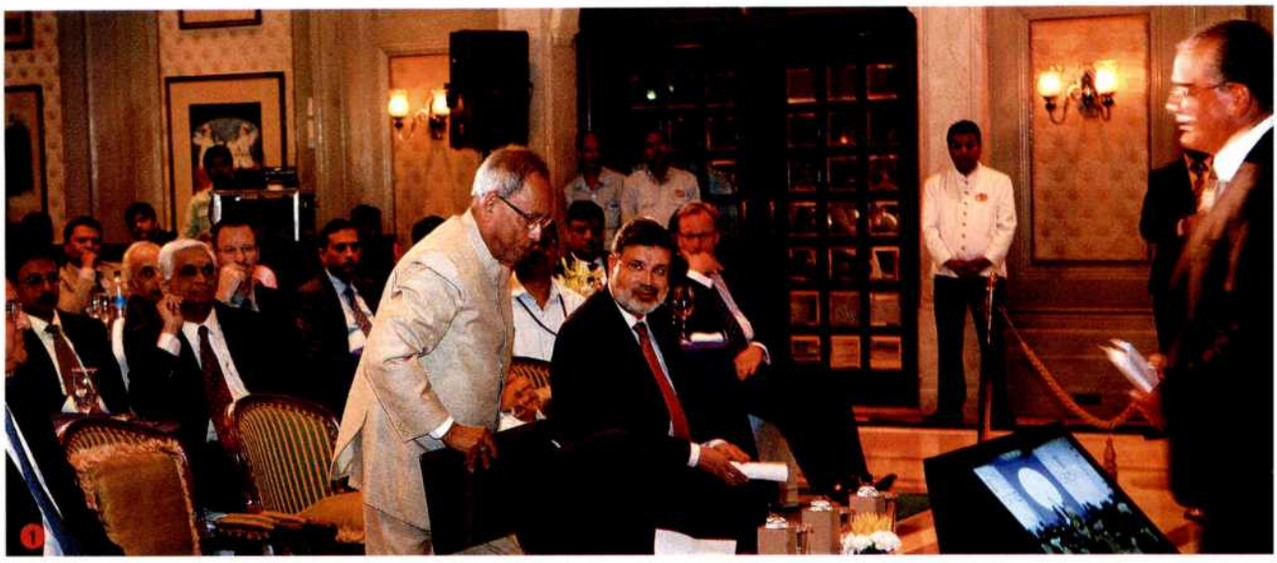
Deosthalee's packed schedule is a reflection of the changing role of the present-day CFO, and the high pressure existence he is forced to lead. "The CFO is no longer the boring person with eyes only on revenues, expenditure, and cash reserves," noted *India Today* Editor-in-Chief Aroon Purie in his speech at the ceremony. "Chairpersons and managing directors may be the public face of most companies, but the CFOs seemed to have been at the helm, steering their ship away from the shoals of financial disaster."

Finance Minister Pranab Mukherjee was chief guest at the

Finance Minister Pranab Mukherjee presents a rosy outlook for India at the function to give away the Best CFO awards. By ANAND J.

PHOTOGRAPHS BY SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

In step: Finance Minister Mukherjee strides in with *India Today* Editor-in-Chief Aroon Purie as YES Bank MD and CEO Rana Kapoor greets him. (Right) Purie and Kapoor



Pranab Mukherjee's speech at www.businesstoday.in/pranab

Montek Ahluwalia's speech at www.businesstoday.in/montek

function, the fourth *Business Today* Best CFO Awards and the second in collaboration with presenting sponsor YES Bank, held at the ITC Maurya in New Delhi. Deputy Chairman of the Planning Commission Montek Singh Ahluwalia, guest of honour at the function, was also present, along with most of the award winners and the award jury members. The evening saw Ashok Chawla, former finance secretary, Mick Gordon, Managing Director of Synovate India and Amit Kumar, Senior President, Corporate and Institutional Banking, YES Bank, in attendance. Renny Thomas, partner at McKinsey, could not make it.

The event kicked off with *BT* Editor Chaitanya Kalbag explaining the rigorous selection process. YES Bank MD and CEO Rana Kapoor said the winners were among the world's best. "These CFOs have supported their CEOs in ensuring a high level of corporate governance," he said. "Their astute financial management in difficult times has ensured that there is no panic."

In his speech that followed, Puri drew parallels between the tasks of CFOs and journalists saying, "You (CFOs) have to get to the truth, and be balanced and objective." He added that Mukherjee, as CFO of the country, had a tough job. "As a parliamentarian for 42 years, he has steered key ministries, such as Commerce, Defence and External Affairs, and now heads an incredible 13 of the 14 empowered groups of ministers in the government," he said.

Mukherjee, who spoke next, noted that though the overall GDP growth in 2010/11 was estimated at 8.5 per cent, there was no reason why the existing momentum could not be maintained and the growth figure improved. "Several forecasts say India's growth will start to outpace China's in three to five years, and continue at a faster rate than any other large country in the next 20 to 25 years," he said.

But Mukherjee also acknowledged the country's macroeconomic challenges in the short term. "Inflationary pressures persist, both from higher global commodity prices and domestic structural demand-supply imbalances in several commodities," he said.

He highlighted factors that would

1 **Taking the floor:** Chief guest Mukherjee is invited to speak by Purie

2 **Full house:** The rapt audience at the Kamal Mahal auditorium, ITC Maurya, New Delhi

3 **Frontline:** Mukherjee, Purie and Ahluwalia, with *BT* Editor Chaitanya Kalbag (right)

4 **Key note:** The FM sees no reason why GDP cannot rise by 8.5 per cent this year

5 **The very best:** Larsen and Toubro CFO Y.M. Deosthalee receives the award for the overall Best CFO

6 **Best treasurer:** Indrajit Banerjee of Cairn India (right) shakes hands with Ahluwalia

affect the inflation rate, including incomplete pass-through of higher crude oil prices, geopolitical uncertainty in West Asia and North Africa, and a spike in raw material prices.

Mukherjee added that the private sector also had a role in solving structural problems. "One trillion dollars of investment is required in infrastructure during the 12th Plan (2012-17) of which more than half will have to come from the private sector," he said.

In his speech after receiving his awards, L&T's Deosthalee said they were a "recognition for the company which empowers you to perform, and encourages you to excel and compete. As far as I'm concerned, I just happened to be here".

Maruti Suzuki's Ajay Seth, who won the award for Best CFO in Liquidity Management (Large Companies), said his company had struck a balance between growth and liquidity by sticking to the basics and not going overboard.

Ahulwalia, who spoke later, reiterated Purie's assertion that the CFO today was very different from the traditional view of a person who only watches the bottom line. "It is entirely appropriate that there has been this award instituted for CFOs," he said. "We still designate CFOS in public sector companies as director, finance. I'm going to request our colleague in charge of public sector enterprises to re-designate them as CFOs." On economic performance, he said: "The task before us is to achieve between nine and 9.5 per cent growth. I don't want to pre-judge, but I don't think it is all that unreasonable."

After the ceremony – which had Mazars India as associate sponsor, The Glenlivet as partner, Graphicsad as out-of-home advertising partner and Bloomberg UTV as television partner – the guests mingled over dinner. ◆

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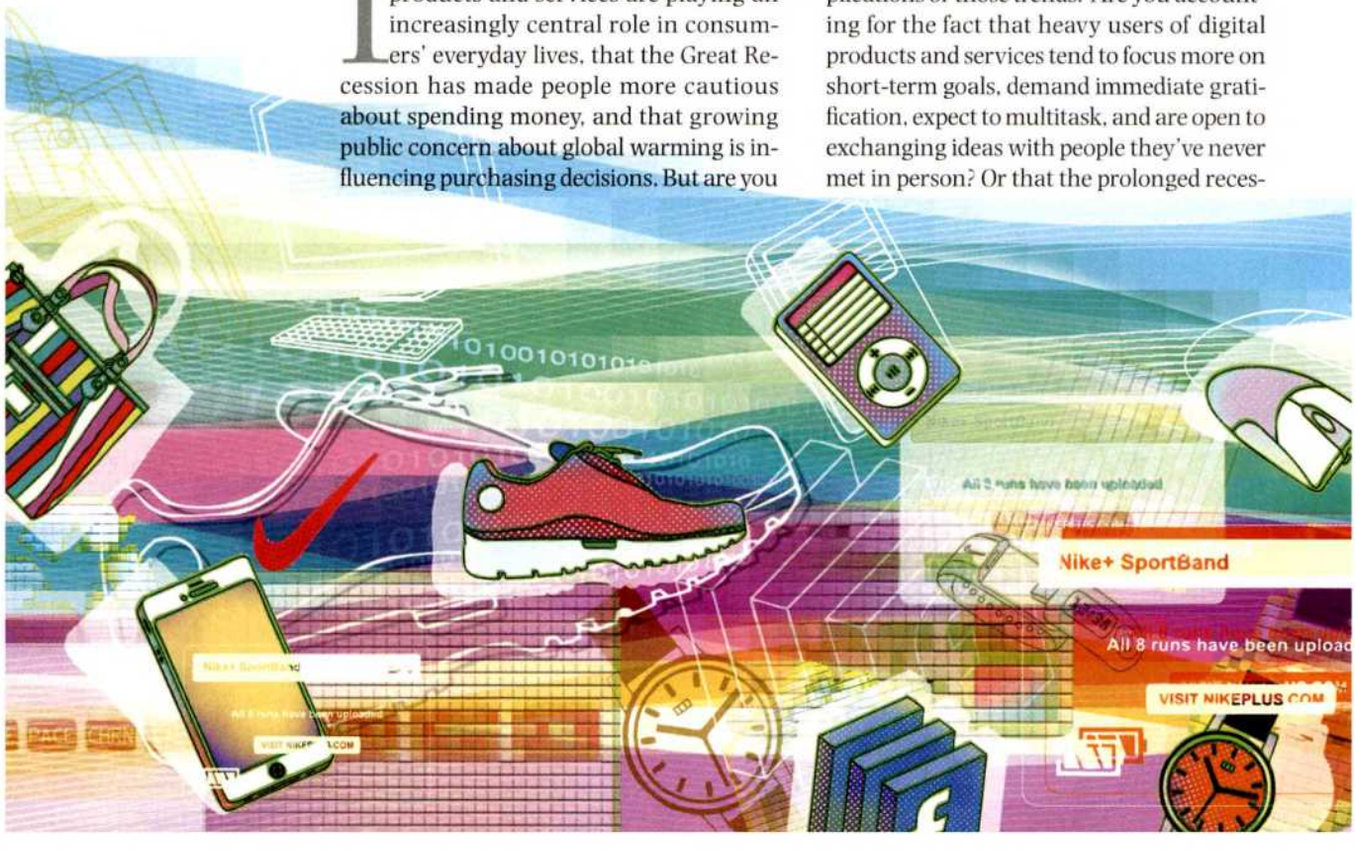
Are You Ignoring Trends That Could Shake Up Your Business?

Surprising ways the hot new thing can affect your product strategy. By ELIE OFEK and LUC WATHIEU

It's hardly a revelation that digital products and services are playing an increasingly central role in consumers' everyday lives, that the Great Recession has made people more cautious about spending money, and that growing public concern about global warming is influencing purchasing decisions. But are you paying enough attention to the deeper implications of those trends? Are you accounting for the fact that heavy users of digital products and services tend to focus more on short-term goals, demand immediate gratification, expect to multitask, and are open to exchanging ideas with people they've never met in person? Or that the prolonged reces-



sion has unleashed not a malaise but rather a desire to be uplifted and energised? Or that green consumers are skeptical of corporations that claim to share their concerns but don't motivate them to act in environmentally friendly ways?

Most managers can articulate the major trends of the day. But in the course of conducting field and market research in a number of industries and working directly with companies, we have discovered that managers often fail to recognise the less obvious but profound ways these trends are influencing consumers' aspirations, attitudes, and behaviours. This is especially true of trends that managers view as peripheral to their core markets.

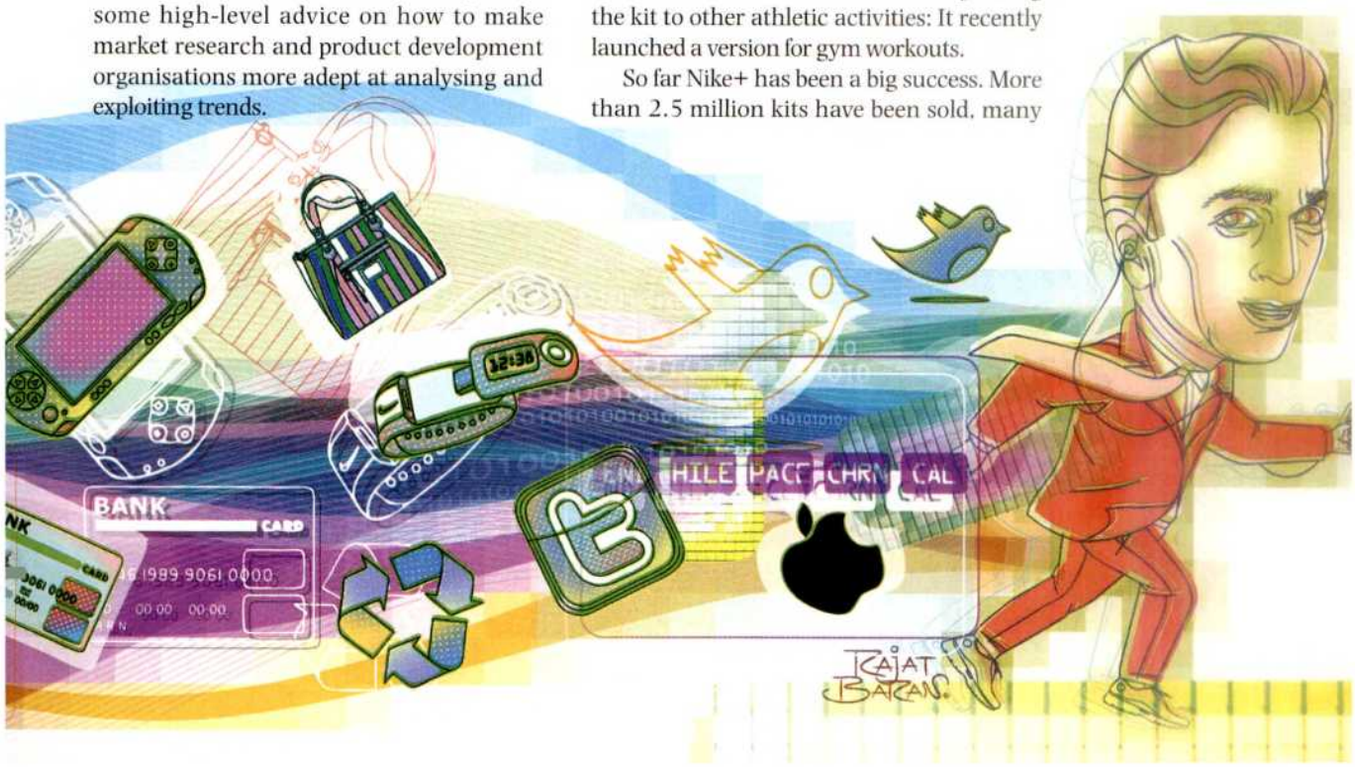
Consequently, they ignore trends in their innovation strategies, they include product features that only superficially address a trend's impact on consumers, or they adopt a wait-and-see approach and let competitors take the lead. At a minimum, such responses result in missed profit opportunities or wasteful investments in R&D. At the extreme, they can jeopardise a company by ceding to rivals the opportunity to transform the industry. The purpose of this article is twofold: to spur managers to think more expansively about how trends could engender new value propositions in their core markets, and to provide some high-level advice on how to make market research and product development organisations more adept at analysing and exploiting trends.

The Gold in Trends

At first blush, spending a lot of resources to incorporate elements of a seemingly irrelevant trend into one's core offerings sounds like it's hardly worthwhile. But consider Nike's move to combine its reputation in high-performance athletic footwear with the iPod's meteoric success. In 2006, the company, which accounts for the largest share of running shoes sold in the United States, teamed up with Apple to launch Nike+: a digital sports kit comprising a sensor that attaches to your running shoe and a wireless receiver that connects to your iPod. As you jog and listen to your favourite music, the sensor tracks your speed and distance and the calories you've burned, and transmits that information to your iPod in real time. Back at your computer, you can upload your data to nikeplus.com, which stores your information and provides a user-friendly interface that lets you track your progress.

The kit also allows you to specify a goal and check your performance during your run simply by pressing the iPod's centre button. In addition, the website links to social networks like Facebook and Twitter so that you can find and form groups of runners at your level who are interested in sharing challenges and performance information. Nike is now expanding the kit to other athletic activities: It recently launched a version for gym workouts.

So far Nike+ has been a big success. More than 2.5 million kits have been sold, many



Ignoring trends can give rivals the opportunity to transform the industry

of them to people who also purchased Nike shoes that have a special recess to house the sensor. Considering that the sports kits retail for about $30 and the shoes for an average of $80, this is no small change.

But the Nike+ story is about much more than the revenues generated from product and accessory sales. What is fascinating is how the new offering catapulted Nike from being relevant to just one aspect of the runner's exercise regime to being at the very centre of it. For a Nike+ customer, the Nike brand is no longer about just the product attached to his or her feet; it's about the total exercise experience, including the community.

The Nike+ example represents one of three broad innovation strategies that firms can embrace to address powerful trends. They can *infuse* aspects of the trend into their existing category to *augment* their products or services. They can *combine* aspects of the trend with attributes of their category to produce radical offerings that *transcend* their traditional category and create a new one (as Nike did). Or they can *counteract* negatively perceived effects of the trend by developing products and services that *reaffirm* their category's distinctive values.

COACH'S POPPY COLLECTION

Yes, the recession has made consumers more cautious about spending. But after discovering that the downturn has also unleashed a desire to be energised and inspired, Coach created its lower-priced and playful Poppy line of handbags

Infuse and Augment

The objective of this strategy is to design a new product or service that retains most of the attributes and functions of traditional products in the category but adds others that address the needs and desires unleashed by a major trend. Put simply, this strategy is about augmenting the existing category, not inventing a totally new one. A case in point is the Poppy line of handbags, which Coach created in response to the economic downturn.

By the time the global recession hit Coach's core North American market with full force, late in 2008, the Coach brand had been a symbol of opulence and luxury for nearly 70 years. For $300 to $350, the price of a typical Coach handbag, a woman could signal to the world that she belonged to the elite. The company's consistent execution of this value proposition (through product design, advertising, store layout, and location) fuelled a steady rise in sales through much of the past decade. But in the summer of 2008, management had to decide how to respond to the global downturn and the resulting increase in price sensitivity. The knee-jerk reaction would have been to lower prices on most products and perhaps shift more sales to outlet stores. However, those actions would have risked cheapening the brand's image and eroding the company's meticulously established value proposition. They would have constituted a superficial response to the downturn's likely enduring impact on consumers' expectations and perceptions.

To their credit, Coach's managers did not panic. Instead, they launched a consumer-research project, which revealed that a decreased willingness to spend money was only a small piece of a new mind-set. People had not lost hope or become passive about the future because of economic woes, the gloomy financial outlook, and general uncertainty; on the contrary, they were eager to find ways to lift themselves and the country out of tough times. An attitude of "Yes, we can" had set in. Consumers' desire for status and pampering had not vanished, but the economic reality had created a new layer of needs.

Using these insights, Coach created the lower-priced Poppy line, which it launched in June 2009. The handbags, which sell for about $250, come in vibrant colours and are more youthful and playful than traditional Coach products. The company's name appears on the bags but is written in graffiti style.

The Poppy line is off to a great start: It helped lift Coach's North American same-store sales by 3.2 per cent in the second quarter of fiscal year 2010, the first increase since the crisis began. Creating the sub-brand allowed Coach to avoid an across-the-board price cut. In contrast to the many companies that responded to the recession by cutting the cost, features, and price of existing products, Coach saw the new consumer mind-set as an opportunity for innovation and renewal.

Another example of the infuse-and-

augment strategy is Tesco's response to consumers' growing concerns about the environment. Market research shows that a large proportion of consumers, especially in Europe, have become receptive to the call to save the planet. They want to do their share but are somewhat skeptical of corporations that claim to care about being green. In addition, they often believe that green consumption should lead to a simpler, more economical life.

With that in mind, Tesco, the third-largest retailer in the world, introduced its Greener Living programme, which demonstrates the company's commitment to protecting the environment by involving consumers in ways that produce tangible results. For example, Tesco customers can rent company-sponsored plots for gardening and coops for raising egg-laying chickens, and can accumulate points for such activities as reusing bags, recycling cans and printer cartridges, and buying home-insulation materials. Like points earned on regular purchases, these green points can be redeemed for cash. Tesco has not abandoned its traditional retail offerings. Instead, it has augmented its business with these activities, thereby infusing its value proposition with a green streak.

Combine and Transcend

This strategy is more radical than the infuse-and-augment approach. It entails combining aspects of the product's existing value proposition with attributes that address the aspirations, attitudes, and behaviours arising from a trend to create a novel experience – one that may land the company in an entirely new market space.

By combining Nike's original value proposition for amateur athletes with one for digital consumers, the Nike+ sports kit and web interface has moved the company from a focus on athletic apparel to a new plane of engagement with its customers. Yes, shoes are still an essential component of the value proposition, and yes, Nike still caters to many of the same consumer aspirations it always has (the desire to achieve, perform, and win). But Nike+ provides an experience that is as much about managing one's goals in a personalised, efficient, interactive, and real-time fashion as it is about aspiring to be like Michael Jordan or Roger Federer.

Another company that has transcended a traditional category by tapping the digital trend is stickK.com. Americans who want to lose weight spend more than $40 billion a year on pills, diet shakes, books, and programmes like Jenny Craig and Weight Watchers. But spending money is relatively easy; the challenge is remaining committed to a regimen. The same is true of programmes designed to help people overcome other unhealthy habits, such as smoking and excessive drinking.

The founders of stickK.com – two Yale professors and a student at Yale's School of Management – understood not only the challenge of overcoming bad habits but also that connecting with others and sharing personal thoughts and activities on digital platforms had become the norm. The service they launched in 2008 reflects that insight.

As a user of stickK.com, you articulate a personal goal (for example, "I will shed one pound every week until I lose 20 pounds") and demonstrate your commitment to it by signing a contract. As you work towards your goal, you post regular entries, which are monitored by a friend or relative you've designated as your referee. The website allows you to create an incentive to fulfil your goal. One option is to form a network of friends who will immediately be notified by e-mail if you violate the terms of your contract. Another is to bet on yourself: You decide on a wager and to whom the money should go if you fail to achieve a milestone. Some people designate a charity or cause that they oppose – a pro-choice or pro-life group, for example, or an institution associated with a political party, such as the Bush or Clinton presidential library. You supply your credit card information through a secure online form, and if you fail to fulfil your contract, the transaction is executed automatically.

As of the start of 2010, stickK.com had nearly 40,000 active contracts and more than $4 million in wagers. Weight loss accounts for nearly 45 per cent of the contracts, but stickK allows individuals to specify any goal – from getting an A on an upcoming exam to "not playing online Scrabble again until the end of the year." The company has ushered in a new era of electronic accountability.

Counteract and Reaffirm

This approach involves developing products or services that emphasise the values traditionally associated with the category in ways

NIKE+

Nike's insights into how the heavy use of digital products and services was changing consumers' attitudes and behaviours led it to team up with Apple to create the Nike+ sports kit and web service – an offering that transcends Nike's traditional sports apparel category

It takes audacity to consider that the fear of global warming might inspire new kitchenware

that allow consumers to oppose – or at least temporarily escape from – the aspects of trends they view as negative. A product that accomplishes this is the ME2, a handheld video game created by Canada's iToys. By reaffirming the toy category's association with physical play, the ME2 counteracts some of the widely perceived negative impacts of digital gaming devices.

One is the unhealthy lifestyle these devices seem to engender. American fourth-grade boys spend an average of about 10 hours a week playing video and computer games. Many researchers have found that such behaviour usually comes at the expense of physical activity and interactions with other children, leading to a host of medical, developmental, and social problems. For example, video games and other digital products have been blamed for contributing to the alarming growth in obesity among children, which has been linked to a sharp rise in diseases such as diabetes and high blood pressure.

iTOYS' ME2
Canada's iToys addressed parents' concerns that video games were turning their children into couch potatoes by launching the ME2, a handheld game with a pedometer that awards superior virtual skills to kids who get physical exercise

The ME2, introduced by iToys in mid-2008, caters to kids' huge desire to play video games while countering the negatives. Like other handheld games, the device features a host of exciting interactive games, a full-colour LCD screen, and advanced 3D graphics. What sets it apart is that it incorporates the traditional physical component of children's play: It contains a pedometer, which tracks and awards points for physical activity (walking, running, biking, skateboarding, climbing stairs). The child can use the points to enhance various virtual skills needed for the video game. The more physical activity a child engages in, the greater his or her advantage in the game.

The Current Card, a prepaid debit card for teens, is another example of the power of a counteract-and-reaffirm approach. This new financial tool is Discover's response to the challenge of parenting teenagers in an age when they have much more freedom than they used to, in part because of digital technologies. The card is also the company's attempt to counter two negative aspects of the digital revolution that can spell trouble for teens: the risk of out-of-control shopping, particularly online, and the false sense of expertise that can result from the abundance of information available on the Internet. Teens, like adults, are prone to believe they know more than they actually do about many topics. For example, in a 2008 survey of teens aged 12 to 17, 79 per cent said that they were knowledgeable about basic financial concepts – but the average score of a Federal Reserve Board test of financial literacy given to high school seniors is 48 per cent. This false confidence, combined with the lure of online offerings, can make it very difficult for parents to instill in their children a sense of financial responsibility. Discover has stepped up to this challenge with the Current Card, which lets parents control their children's expenditures (whether online or in bricks-and-mortar stores) by specifying how the card can be used. Through a web interface, parents can track every transaction and receive e-mail notifications if any activity breaks the rules. With this product, Discover not only gives parents a new tool for developing their teens' personal-finance savvy but also reaffirms its core business of facilitating convenient yet responsible spending.

A Four-step Process for Addressing Trends

To tap a profound consumer trend, you'll need audacity and imagination: audacity to consider that the fight against terrorism might influence computer design, that there could be a lipstick specially suited to the digital age, that the fear of global warming might inspire new kitchenware; and imagination to conceive innovations that compellingly augment, transcend, or reaffirm your existing category. Here is a four-step process that we have successfully applied at a number of companies.

1. Identify trends that matter. The obvious first step is identifying the trends, particularly the seemingly peripheral ones, that have the potential to reshape your business.

At any point, only a handful of big trends are capable of changing consumers' aspirations, attitudes, and behaviours. Our simple exercise can help you gauge whether certain forces or events constitute a trend worth leveraging. It involves analysing the following:

Ripple effects. Are changes occurring in multiple areas of a consumer's life? For instance, consider how social networks like Facebook and LinkedIn are affecting both friendships and professional relationships.

Impact. How profound are the changes in people's priorities, perceptions of their role in society, and expectations?

Scope. Does the trend encompass a large number of consumers across market segments?

Endurance. Are there indications that these changes will be a dominant force in consumer behaviour for an extended period?

The concern about global warming and the environment is an example of a consumer trend that passes these tests. People try to save paper and electricity at work and at home and look for natural ingredients when deciding which foods, cosmetics, and furniture to purchase. Many firms have made green marketing tactics a priority and have appointed corporate sustainability officers. Millions of people have seen Al Gore's movie *The Inconvenient Truth*. The number of people who use multiple recycling bins has increased dramatically. More and more consumers now show up at supermarkets with reusable shopping bags. All these developments indicate that environmental concerns have become deeply embedded and will endure.

Identifying trends requires avoiding some common traps (see *Why Firms Fail to Leverage Trends*) and devoting resources to exploring changes occurring outside one's turf. One option is to create an internal group to do this. Nokia, for example, has an Insight and Foresight team charged with analysing shifts in consumer tastes not necessarily related to preferences in cell-phone technologies. A firm can also hire a market research or management consulting firm that tracks trends and analyses their effects (see *The 10 Trends You Have to Watch*, HBR, July-August 2009).

2. Conduct two separate explorations. The next step involves two completely distinct deep dives. The first is into the less obvious effects of the trend: What important goals, beliefs, and perceptions are emerging among consumers? Are people developing new assumptions about social roles and interactions?

Why Firms Fail to Leverage Trends

Tracking trends is one thing. Making sure your product development group takes them seriously and integrates them appropriately is another. Our research has found that three traps can prevent firms from constructively engaging important consumer trends.

Ignoring trends that originate outside their markets. Most firms naturally think of themselves as offering products within defined categories. ("We are an athletic apparel company." "We make cosmetics." "We design luxury handbags.") This often directs innovation efforts towards customer needs that have been considered relevant in the category. Even when firms look for latent or new needs, their aim is often to uncover the shortcomings of existing products – not to come up with new offerings that incorporate consumer behaviour from distant areas. The result: They miss out on opportunities presented by trends that seem peripheral. In running shoes, for example, if market research explores only consumers' attitudes about shock absorption, durability, and rapid acceleration, the company will fail to consider how digital behaviours lead to new experiences that transcend the category.

Responding to a trend in a superficial way. Trends are widely noticed: They are covered in the media and may directly affect a firm's employees and core customers. This can prompt R&D and marketing professionals to try to respond too quickly – before the company has developed a deep understanding of how the trend is affecting consumers. The result: ill-conceived offerings that don't speak to consumers' new needs or desires and often dilute, rather than enhance, the brand's equity. Consider the flop of Xelibri 6, a smartphone for women created by Siemens that contained two mirrors and was designed like a make-up compact – but could not actually hold make-up. The rise of digital media has prompted consumers to seek products that allow them to multitask, but Siemens didn't appreciate that people expect such products to deliver this benefit in substance, not just in form.

Waiting too long. Putting off action can be as risky as responding too quickly. Given the uncertainty about the relevance of a trend and the risks of incorporating it incorrectly, many firms choose to let other firms take the lead in experimenting. Their rationale is that if a competitor comes up with a significant innovation, they can follow quickly. Although a fast-follower strategy sometimes works, it holds dangers. For example, first movers often lock up valuable assets. A case in point: Nike was able to secure a partnership with Apple to cocreate Nike+, a sports kit and web service that allows runners to track their performance with their iPods and share information with others. Given the iPod's popularity among joggers, a firm that now seeks to enter the new space faces an uphill battle.

The second exploration is of consumers' perceptions and behaviours related to your product category. Various research techniques (open-ended questionnaires, discussion groups, diaries, and interviews of lead users) can help with this analysis.

Consider the case of a beauty-care company that wants to leverage the digital lifestyle trend. A study of heavy users of digital devices might reveal that they expect information about almost anything to be readily available, seek to control and customise experiences, and love to share often mundane events with others in real time. An analysis of the beauty-care category might show that consumers see an imperfection such as a blemish or wrinkle as a weakness and want to associate with products that help them attain socially respected outcomes such as a promotion at work, a higher salary, and prestige.

In conducting this exercise, companies should also probe for undesired outcomes and deficiencies related to the trend and to the existing category. For example, being "always on" and available on social network sites generates strong ambivalent feelings: People struggle between wanting to know what their friends are up to at all times and wanting some privacy. And a consumer who buys beauty-care products often finds it difficult to obtain reliable information about which product is a good match for her skin type; as a result, she might waste money and time experimenting with multiple products.

3. Compare the results. Once you have a comprehensive understanding of the most important aspects of the consumer trend and of your product category, it is time to envision how key aspects of the trend might relate to key aspects of the consumption experiences in your category. You might discover a great deal of congruence, a disconnect, or perhaps even a latent conflict between your category and the trend you are trying to engage.

For example, a primary goal of beauty-care consumers is enhancing their self-esteem. They might turn to a product to help them look successful, gain the respect of others, and mask their physical flaws. Consumers expect cosmetics brands to deliver products that help them achieve an ideal standard of beauty (often represented by a celebrity or a supermodel) and offer skin-care products to reduce wrinkles and conceal blemishes.

Self-esteem is also a central theme in digital experiences, but it is achieved in entirely different ways in this domain than it is in beauty care. In their digital activities, individuals develop self-esteem by expressing their uniqueness and interacting with others who can appreciate their distinct profiles. Thus, while consumers in both the trend and product-category domains share the goal of self-esteem, there's a disconnect: Beauty-care companies traditionally help them reach ideal standards of beauty, whereas digital tools enable them to cultivate unique profiles.

4. Isolate potential strategies. Once you have gained perspective on how important concepts pertaining to your category interact with vital trend-related changes in consumer attitudes and behaviours, you can determine which of our three innovation strategies to pursue. When your category's basic value proposition continues to be meaningful for consumers influenced by the trend, the infuse-and-augment strategy will allow you to reinvigorate the category. If analysis reveals a growing disconnect between your category and consumers' new focus, your innovations need to transcend the category to integrate the two worlds. Finally, if aspects of the category clash with undesired changes emerging from a trend, there is an opportunity to counteract those changes by reaffirming the core values of your category.

Trends – technological, economic, environmental, social, or political – that affect how people perceive the world around them and shape what they expect from products and services present firms with unique opportunities for growth. But firms need to learn how to ride a trend's wave to success. If they don't, they risk being swept away by its powerful tide. ◆

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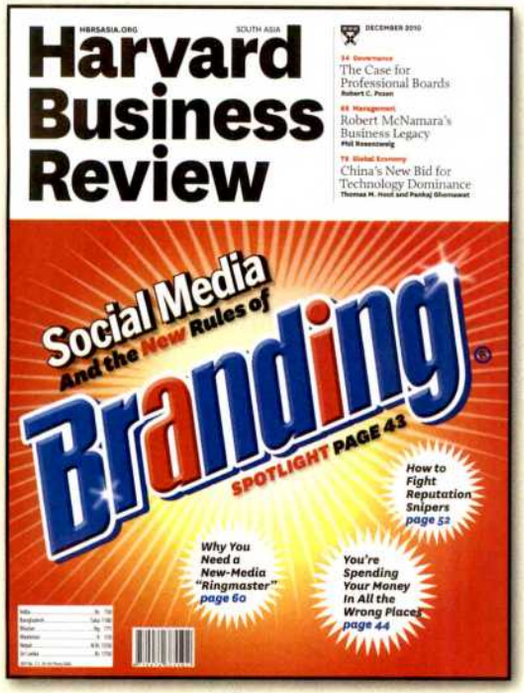

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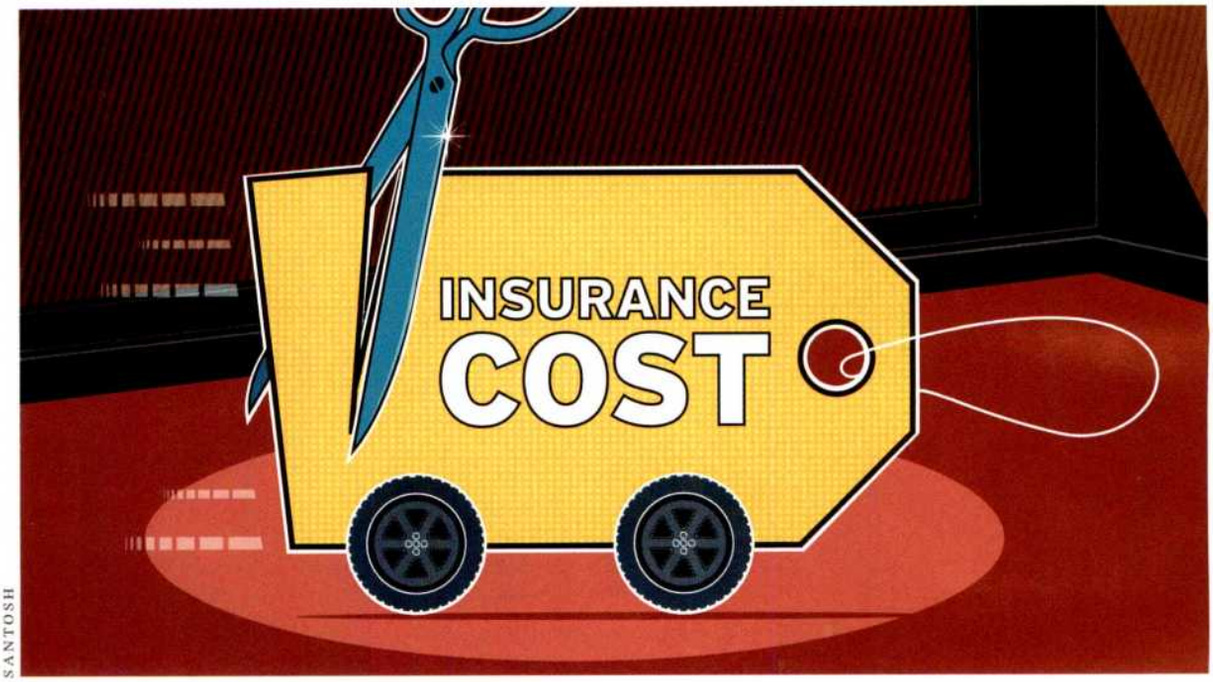


SANTOSH

Driving Down Your Auto Premium

As IRDA lets insurance companies raise premiums, here are a few tips on how to get more benefits on the same cover. By CHANDRALEKHA MUKERJI

The running cost of a vehicle today is definitely higher than the day you bought it. And don't expect it to go down in a hurry. Along with hikes in fuel prices, you will now have to pay more to insure your vehicle as well.

The Insurance Regulatory and Development Authority, or IRDA, has finally acted on the general insurance industry's long-standing demand for a revision of third party motor insurance premiums. The new rate structure, which IRDA released in April, has proposed a 68 per cent rise in premium rates for commercial vehicles, and a 10 per cent rise for private ones. "The third-party loss ratio [claims to premium paid] for private vehicles is above 100 per cent and the hike in premium rates will give some relief to insurers," says K.G. Krishnamoorthy Rao, MD and CEO, Future Generali India Insurance.

Moreover, there is a strong possibility that car insurance costs may go up further if insurers raise 'own-damage' premium rates. "Premiums for own-damage covers are

already market-determined and so no change is expected immediately," says Karan Chopra, head of retail business at HDFC ERGO General Insurance. "However, if third-party premiums consistently remain unprofitable, there may be an increase in premiums on the own-damage cover in an attempt to make up for the shortfall," he adds. Even then, it is unwise to skip 'own-damage' cover, which pays for damages in a fire, earthquakes, floods, storms, burglary and terrorist acts.

Though your car insurance bill is bound to swell, the best thing to do is to evaluate your motor cover, if necessary plan it again and ensure that you get a good deal.

Premium Calculation

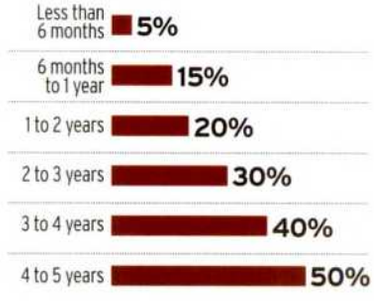
Let us start by understanding how your premium is calculated. "Any aspect of risk which can be linked to a loss and has sufficient and credible data establishing this link, can be chosen as a rating factor," says Gaurav D. Garg, MD and CEO, Tata AIG General Insurance.

There are some things that all insurers consider before setting the premium rate. "The risks can be largely grouped under four basic categories – vehicle-related (the make, fuel type, engine capacity), location-related (place of registration), experience-related (your claims history) and driver-related (age, profession)," says Chopra of HDFC ERGO. Modifications such as fitting alloy wheels or a CD player, will also alter the size of the cover. Besides, the locality you live in also affects the premium charged. At the time of renewal, it is predominantly the age of the vehicle that determines your cover – the insured declared value, or IDV, and the premium you pay.

Based on the years of use, depreciation is applied to the ex-showroom price to calculate the IDV (see *Calculating the Cover*). This is in case of vehicles up to five years old. For vehicles older than this, their market value is taken as the IDV.

CALCULATING THE COVER

Depreciation in the value of a vehicle is proportional to its age



CUT YOUR PREMIUM BY

- Accumulating no-claims bonuses
- Opting for a high voluntary deductible amount
- Installing safety devices in your vehicle
- Getting an automobile association membership
- Applying for a loyalty discount

Discount Search

While most people are eager to avail of the no-claims bonuses, they often miss smaller discounts, which can add up to a substantial amount. "All comprehensive policies offer a reward for a good claims history and the discount on the premium that can be as much as 50 per cent of the own-damage premium," says K.N. Murali, Senior Vice President, Motor Vertical, Bharti AXA General Insurance.

If you have a good record of claims-free driving, consider opting for a higher 'voluntary deductible', an amount you would need to pay before the insurer contributes its part of the claim. This reduces your premium. Insurance companies typically allow you to choose between ₹1,500 and ₹15,000. Since the insurer is not going to pay you this amount, it will offer you a suitable discount on the premium charged.

To Add On or Not

Adding riders to a regular motor cover will add to the premium as well. If you already have personal accident cover or your driver has a life insurance cover, buying similar policies will only be a waste of money. But if you don't have these covers, it would be wise to bundle these products rather than take separate covers. "Besides, there are specific riders, such as cover for CNG/LPG kits, for co-passengers, and for key replacement costs, which customers should consider as additional cushions," says Garg of Tata AIG.

Depreciation deductions are sometimes as high as 50 per cent. The solution to avoid this is a 'zero depreciation' rider. But these come at a cost and you may have to pay a higher premium for this benefit. However, Joydeep Roy, Chief Executive, L&T General Insurance, says: "The depreciation in the value of the car due to usage is also reflected at the time of the claim. In such cases, a 'nil depreciation rider' will be a useful protection."

Finally, do not forget to compare prices before buying. There will always be a difference in prices because companies specialise in covering different types of risk and are able to give better rates and discounts. ◆

Courtesy: *Money Today*

The new structure will result in a 68% rise in premium rates for commercial vehicles and a 10% rise for private vehicles

LAST BUT NOT LEAST

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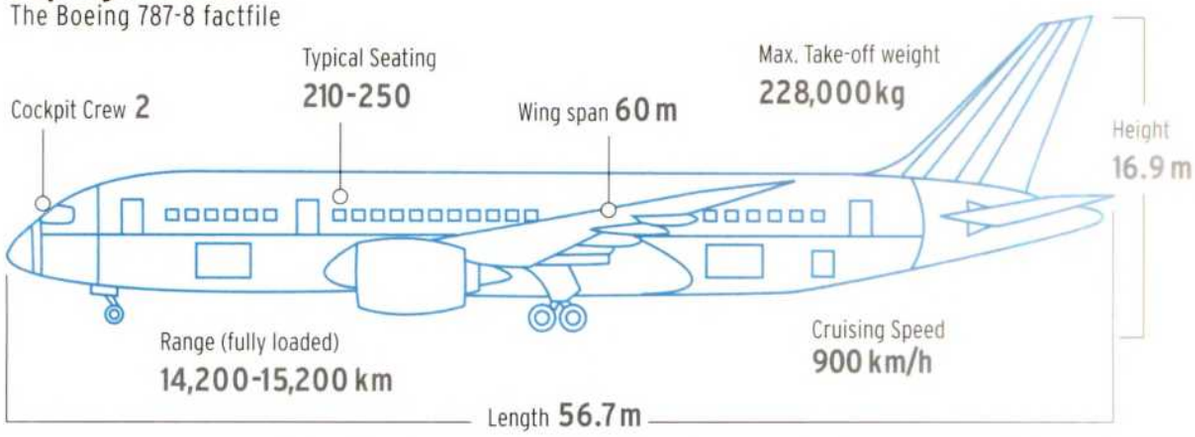
Plastic Takes to Skies

Boeing's new 787 Dreamliner has had a difficult birth, but it is a tremendous piece of engineering, says Kushan Mitra

Flying Wonder

The Boeing 787-8 factfile



Air India has ordered 27 of them, Jet Airways another 10. Most of these aircraft should have begun commercial operations by now, but not one has yet been delivered. Boeing's new 787 Dreamliner has been inordinately delayed. The ambitious plan that called for 787 parts to be flown in from various places across the world and assembled at Boeing's headquarters – body fuselage barrels from Italy, wings from Japan, landing gear from France – has come unstuck. The first 787 will be delivered this winter, three years behind schedule, to Japan's All Nippon Airways. Air India will get its first four aircraft by March 2012 as soon as their interior fitments are complete.

But the wait is worth it. The 787 still marks a major advance in the 108-year history of powered flight. Just as the 1930s saw the move from fabric and wooden airframes to all-metal aircraft, and the 1950s the dawn of the jet age, the construction of the Boeing 787 in this decade marks a turning point in the way planes are manufactured. Not by bending and riveting giant sheets of aerospace-grade aluminium honeycomb any more, but from plastic.

Carbon-Fibre Reinforced Plastic, or CFRP, or better still 'composite materials' as it has come to be known, is the same material that has been used to manufacture Formula1 cars for the past decade. But it is one thing to make a single-seat, high-performance sports car that races in a controlled environment, and quite another to manufacture a $200-million aircraft that carries up to 250 passengers and must be built to survive at least 20 years in the sky.

The process starts in a very large oven at the factory owned and operated by Alenia Aeronautica in south Italy's Grottaglie province, where layers of carbon fibre are baked to form the fuselage sections. These sections and other components from across the world are transported by a giant converted Boeing 747 freighter to Boeing's final assembly line at Everett in the state of Washington, US.

Luxury: The Dreamliner's interior

Hi-tech: The cockpit

Majestic: Dreamliner on the runway

LONG HAUL

Milestones in civil aircraft technology

2005: The Airbus A380, the world's largest ever passenger aircraft with a capacity of 888 passengers flies for the first time.

2009: The Boeing 787, the first aircraft to be primarily built of composite materials, flies for the first time.

1987: The Airbus consortium introduces the Airbus A320 which pioneers the usage of digital fly-by-wire flight controls, removing mechanical linkages between the pilot and the control surfaces.

1969: The Boeing 747, which carries more than twice as many passengers as other aircraft at the time ushers in the wide-bodied 'Jumbo Jet' age.

1949: Following the massive advances in military aviation during World War II, the British-made de Havilland Comet, the world's first civilian jet aircraft is born. However, a series of Comet accidents sees the American Boeing 707 win the jet battle.

1938: The Boeing 307 is the first pressured aircraft to be built. This allows it to fly above low-level weather disturbances without passengers being affected

1933: The first all-metal aircraft, the Boeing 247, is built. It also features other advances such as retractable landing gear

1903: The Wright Brothers make their first flight from Kitty Hawk, North Carolina. The aircraft is made of wooden supports and fabric.

Walking down the aisle of the 787 that landed at New Delhi's Indira Gandhi International Airport recently was an experience in itself. The aircraft is in India to be showcased to Air India and Jet Airways, both customers. One curious feature: there are giant barrels of water stored in rows under high pressure inside the aircraft, which enable the 30 engineers on board to constantly change the centre of gravity of the plane while in the air. The composite construction of the 787 also allows for much larger windows than in traditional aircraft. The windows do not have the usual shades; piezo-electric crystals inside them make them acquire a tint at the turn of a knob. Again, the non-corrosive composite structure allows the air-conditioning to run with some amount of humidity, so the air inside is not as dry as in other aircraft. The absence of metal, and resultant lack of metal fatigue, also allows operators to keep the aircraft pressured at lower altitude levels.

"Passengers will realise the advantages of flying the 787 when they are inside. It will be more comfortable than any other plane," says Boeing India President Dinesh Keskar.

However, as with all things new, the 787 has faced its share of criticism. Some experts have questioned the composite construction, and debated how well – or badly – it will withstand accidents. There have also been questions about how easy or difficult composite structures are to repair, given that aircraft, like cars, inevitably develop problems at some point. That said, Boeing's rival, the European manufacturer Airbus is also developing its own fully-composite plane – the Airbus A350XWB. ◆

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It's an Overkill Out There

With Google+, is the online social networking space getting too crowded?

Orkut, MySpace, Facebook, LinkedIn, Twitter and recently, Google+. That is the order in which I have joined online social networks. I am not counting the various online forums I am a member of — my Xbox Live and Steam accounts (for video games) and such others. So far, I have actually quit only one social network — MySpace.

Of course, media baron Rupert Murdoch also recently quit MySpace, selling the website in a massive write-down for just $35 million after having bought it in 2006 for $580 million. But MySpace is a different case altogether.

Meanwhile, the market appetite for social networks has not slowed down: professional networking site LinkedIn went public earlier in May and has a market capitalisation of close to $9.5 billion. Globally, it has 100 million members and recently announced that it had crossed 10 million members in India. But that gives, to borrow a term from the Indian telecom arena, a per subscriber (user in this case) valuation of $95 (₹4,275), which means my sketchy profile there is worth good money. I wonder what would happen if Indian telecom companies got that sort of valuation today.

Add, follow, like: The author has an account with all major networking platforms

But let us get back to the main point. The death of MySpace, the Google+ versus Facebook battle and Twitter's problems in figuring out a business model are what dominate headlines today. But how many social networks can a person manage? I follow most of my Facebook friends on Twitter, and all of them are connected to me on LinkedIn.

Almost everybody who has added me to a Google+ circle follows me on Twitter already. Yes, one can argue that each network is different. I tried to keep my Facebook friends' list compact and added only friends and family but now frankly, it is filled with acquaintances. When I am not filing for *BT*, I am shuffling between social networks. Which is tiresome and irritating, but as a self-proclaimed digital maven, what else can I do?

Yes, we are becoming a gadget-obsessed society, spending a large portion of our day staring at screens of various sizes. And we have become digital voyeurs as well, peering into the lives of people we do not really care about, or stalking them digitally. I am not arguing about the morals and ethics of the digital age. I am just saying, maybe Google+ is just about enough. But that is not going to stop anybody, right?

In a supreme piece of irony let me end this article by saying, you can follow me at www.twitter.com/kushanmitra or add me to your Google+ circle. ◆

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China's Cheerleader

Henry Kissinger's world view is mandarin-tinted, says **Shashi Tharoor**

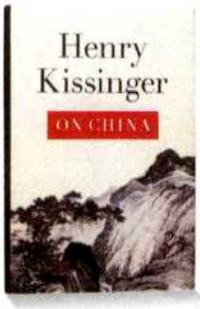
Henry Kissinger is arguably the most famous diplomatic elder statesman in the world: winner of the Nobel Peace Prize in 1973, National Security Adviser and Secretary of State to US Presidents Richard Nixon and Gerald Ford, now highly-paid international business consultant and author of fat volumes of reflections on world affairs, he occupies an exalted place in the international firmament. I have had the privilege, for some years in New York, of benefiting directly from his conversational wisdom, appearing with him on American television, appreciating his intelligence and charm even when I probed him on his inconsistencies about India. He was the architect of Nixon's notorious "tilt" against us in 1971 and is now a leading advocate of close relations with New Delhi. (I have never quite adjusted to calling this venerable giant "Henry".) Yet his most signal achievement remains the one that first thrust him onto the world's consciousness – the secret mission to China in 1971 that paved the way for Nixon's historic visit to Mao Zedong in Beijing and the Sino-American rapprochement that transformed global geopolitics for decades to follow.

On the 40th anniversary of that extraordinary breakthrough, Kissinger has published *On China*, a volume devoted to his understanding of that complex civilisation, whose "singularity" he describes in an opening chapter before taking the reader on a detailed and somewhat laboured journey from ancient Chinese history through more recent times into the new millennium. It is simultaneously an effort to explain China to the world and to burnish his own credentials as the architect of America's opening to China and its principal interpreter of that country thereafter. The book marries recent historical scholarship with Kissinger's own insights gleaned from over 50 visits to China – most as the Chairman of Kissinger Associates, an international consulting firm that has profited quite handsomely from the author's relations with the Chinese leaders he praises so lavishly in this volume.

The result is a combination of potted history, selective memoir, informed analysis and secondhand theorising about Chinese national characteristics. Kissinger's prose is replete with genuflections to the Chinese people and their "subtle sense of the intangible", as he seeks to "explain the conceptual way the Chinese think about problems of peace and war and international order". Thus he makes much of the Chinese fondness for playing *weiqi*, a complicated game of encirclement far different from the West's (and presumably India's) preference for chess. In an eight-page account of "the Himalayan border dispute and the 1962 Sino-Indian war", which is far more sympathetic to the Chinese version of events than the Indian, Kissinger describes the Chinese strategy as "the exercise of *weiqi* in the Himalayas". China's war with Vietnam in 1979 "resulted from Beijing's analysis of Sun Tzu's concept of *shi* – the trend and 'potential energy' of the strategic landscape".

If that kind of thing gives a dash of local colour to the book, it is not devoid of the more familiar magisterial Kissingerian pronouncements on world affairs. "Foreign policy must define means as well as objectives," he intones (and you can almost hear those gruff Germanic tones), "and if the means employed grow beyond the tolerance of the international framework or of a relationship considered essential for national security, a choice must be made." That choice "cannot be fudged," he adds. In the case of China, his choice is clearly beyond fudging: he loves the place.

The book is understandably America-centric, and Kissinger writes from the point of a view of an American Sinophile. Both Washington and Beijing are capitals of countries that consider themselves exceptional. "American exceptionalism is missionary," Kissinger writes. "It holds that the United States has an obligation to spread its values to every part of the world." China's exceptionalism, on the other hand, is cultural: China does not seek to impart its ways to other countries, but it



On China
By Henry Kissinger
Allen Lane/Penguin
Pages: 608
Price: ₹899

The reviewer is Congress MP from Kerala and a former UN diplomat

judges "all other states as various levels of tributaries based on their approximation to Chinese cultural and political forms".

America's democratic values are, in his view, a dispensable distraction. Kissinger's unvaryingly sympathetic accounts of China's history and evolution omit any moral judgements of Chinese conduct, aggression or human rights abuses. (Aside from excusing China's behaviour in 1962, the 1979 invasion of Vietnam is explained away as an effort "to preserve the strategic equilibrium in Asia".) Kissinger is unembarrassed to display a soft corner for the Chinese leaders he has met (and whom, as we know from released transcripts, he flattered somewhat more egregiously than his own accounts suggest). Zhou Enlai conducts "conversations with the effortless grace and superior intelligence of the Confucian sage". Mao he reveres as "the philosopher king." Kissinger acknowledges that in the eyes of some, "the tremendous suffering Mao inflicted on his people will dwarf his achievements", but "if China remains united and emerges as a 21st-century superpower", most Chinese will regard him like the emperor Qin Shi Huang, "whose excesses were later acknowledged by some as a necessary evil".

"Beijing retained its characteristic willingness to adjust to changes in alignments of power and in the composition of foreign governments"

Henry Kissinger,
Ex-US Secretary of State

This amorality is of a piece with the unsentimental pragmatism that he admires in the Chinese as well. After 9/11, he writes: "China remained an agnostic bystander to the American projection of power across the Muslim world and above all to the Bush administration's proclamation of ambitious goals of democratic transformation. Beijing retained its characteristic willingness to adjust to changes in alignments of power and in the composition of foreign governments without passing a moral judgement."

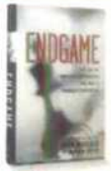
Kissinger amply returns the favour. On the Tiananmen Square massacre of dissident protestors in 1989, Kissinger writes that the Chinese "could not understand why the United States took umbrage at an event that had injured no American material interests and for which China claimed no validity outside its own territory". As for himself, Kissinger balances his shock at the killings with his appreciation of "the Herculean task Deng Xiaoping had undertaken... to remould his country: moving Communists towards acceptance of decentralisation and reform [and] traditional Chinese insularity toward modernity and a globalised world". And, he adds tellingly: "I had witnessed his steady efforts to improve Sino-American ties."

How will these ties evolve, towards cooperation or conflict? Evoking a prophetic memorandum written by a British imperial official, Eyre Crowe, in 1907, about the inevitability of conflict with Germany, Kissinger expresses concern about the emergence of a "Crowe school of thought" in the United States, which sees China's rise "as incompatible with America's position in the Pacific". Coupled with those who see Beijing's conduct as incompatible with American democracy, such thinking could cause both countries to "analyse themselves into self-fulfilling prophecies".

Arguing that a close and cooperative United States-China relationship is "essential to global stability and peace", Kissinger repeats his traditional and oft-iterated preference for "a rebalancing of the global equilibrium", calling for a "co-evolution" by China and the US to "a more comprehensive framework". He envisions the emergence of a "Pacific community" with China, paralleling the Atlantic community that America has created with Europe, under which both countries would "establish a tradition of consultation and mutual respect," making a shared world order "an expression of parallel national aspirations".

This sounds alarmingly like the "G-2 condominium" that some Washington strategists would like to see run the world of the 21st century – and it doesn't leave much room for the rest of us. In the American argot that its most famous immigrant habitually eschews: Thanks, Henry, for your mandarin-tinted view of the world – but we ain't buying. ◆

BOOKMARKS



Endgame
By John Mauldin and Jonathan Tepper
Wiley
Pages: 318
Price: ₹1,322

The book charts a bold new course to sustained economic growth and prosperity. It offers investors useful analysis and expert advice on how to protect their assets.

Islamic Finance
Writings by V. Sundararajan; Edited by Jaseem Ahmed and Harinder S. Kohli
Sage
Pages: 291
Price: ₹750

The compilation provides recommendations that can help Islamic finance become a global financial intermediary.

Frozen in Time

Women are resorting to egg freezing to delay becoming mothers, says Anika Gupta

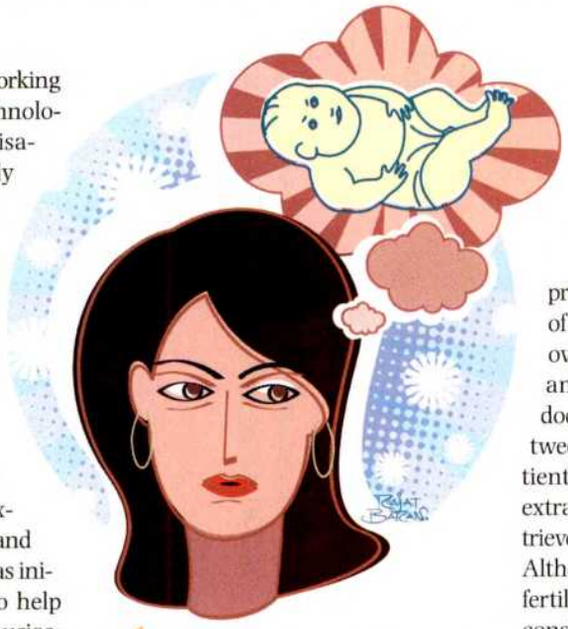
Dr Sonia Malik started working with reproductive technologies like *in vitro* fertilisation, or IVF, in 1995, mainly helping infertile couples conceive. But recently she had an unusual request: a 35-year-old single woman wanted to know about egg freezing, or oocyte cryopreservation.

"She was concerned about her future reproductive status," says Dr Malik. Egg freezing – in which doctors extract a woman's healthy eggs and freeze them for future use – was initially thought of as a way to help infertile couples. Its most enthusiastic subscribers, however, have turned out to be unmarried women interested in preserving their eggs – just in case, by the time they meet Mr Right, get the dream job they hanker after or finish their higher education, they are too old to conceive.

In the United States, the procedure has been so popular among unmarried women that several private egg banks specialising in extracting and storing frozen eggs have opened.

Dr Nandita Palshetkar, a senior consultant on IVF at Fortis La Femme Hospital in South Delhi, says her clinic received its first such request in 2007, and performed the first operation in 2008. "Women who are past 35 and haven't married but want to keep the option (of motherhood) open often go for this," she says. Her patients include executives, lawyers and fashion models. At La Femme, the operation costs between ₹1 and 2 lakh, with an additional charge of ₹20,000 a year for storing the eggs.

Frozen eggs should be used within two to five years of being extracted, say experts. But the process carries no guarantees. The techniques being used are still new, and there are not enough studies yet on how often these frozen eggs yield healthy babies. Dr Palshetkar says none of her patients has come to collect their eggs so far.



AT NEEDLE POINT

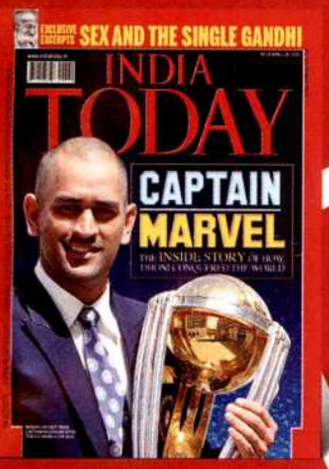
1. **Who are the women freezing their eggs?** Single women who want to keep the option of motherhood open even if they marry late
2. **How much does it cost?** The operation costs between ₹1 and 2 lakh, plus ₹20,000 a year for storing the eggs
3. **What is the process?** The eggs are extracted under anaesthesia using a needle, and deep frozen

"The birth rate from frozen eggs is not that high," says Dr Malik, adding that she tells her patients to first try having a baby in the normal way using fresh eggs.

The extraction process also presents challenges. After 10 days of daily injections to stimulate her ovaries, the woman goes under anaesthesia, during which the doctor uses a needle to extract between five and 25 eggs. Some patients end up undergoing multiple extraction rounds before doctors retrieve enough eggs for a healthy baby. Although only one egg needs to be fertilised, extracting at least eight is considered a safe bet.

Women who have undergone the process say the choice was difficult. "I was in my early 30s when I decided that once I touched 34 and was still single, I had to do something about having a child," says 'Maybe Baby Momma', an American woman who chose to freeze her eggs two years ago and writes a popular blog on the subject under that pen name, in an email to BT. She has not used the eggs yet, but may do so in future. "Egg freezing seemed like a way to put my concerns at rest."

Momma still struggles to explain her choice to people close to her. "My friends have been incredibly supportive," she says, "I explained to my mother, but still didn't feel like she was happy about it." Women who have undergone the procedure say their decision was less about career and more about giving themselves time to meet the right person. Still, as women continue to try and balance the demands of work, family and love, an increasing number may find an unlikely ally in technology. ◆



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Your Firm Needs Your Ideas

Companies are opting for processes and policies that encourage employees to innovate and think on their feet, says Anumeha Chaturvedi

PHOTOGRAPHS BY SAPTARSHI BISWAS/www.indiatodayimages.com

Work is joy: LG employees at the brainstorming room Shunya

LG

Thinking rooms equipped with an artificial waterfall, mood lighting, games and music, where different teams brainstorm once a month

In August 2010, K.K. Chutani, marketing head of foods at Dabur India, attended a three-day brain-storming session along with 30 colleagues from separate functions like accounts, packaging, vendors, and channel activation. The objective was to take Dabur to the next level of growth with long-term innovative thinking. He was stunned to find the sessions throwing up no less than 100 ideas, of which 10 were shortlisted. Five of those shortlisted have already been put to work, with one of them leading to the launch of Real Activ Fiber+, a juice product that is rich in fibre as well.

Enthused by the outcome of the session, Dabur has decided to make the exercise a regular feature. "We will have these sessions twice a year from now on," says A. Sudhakar, Executive Director of Human Resources at Dabur.

Dabur is not alone. Since ideas drive innovation, many organisations today are looking at ways to tap the knowledge base of every employee. With markets becoming more and more competitive, companies are putting in place processes and initiatives that encourage employees to constantly generate new ideas. These could range from cross-functional initiatives to internal social networking platforms to awards and initiatives that recognise talent.

Samsung, for instance, has devised a scheme for employees at its plants in Noida and Chennai that results in real-time innovations. Main line operators of various divisions such as mobile handsets, TV sets, and air conditioners are encouraged to offer suggestions for improving the manufacturing process for which they are suitably rewarded. "We get

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Director

Thinking hard: Abhimanyu Kapoor, Manager, Programme Management at Sapient Nitro (right) with his colleagues

about 6,000 to 7,000 ideas from our workers in Noida," says Devinder Sharma, Samsung's Plant HR head. Rajni, who works in the main line operations at Samsung's headset plant in Noida, won an award this May for suggesting the use of a supporting device for handsets during the SIM insertion process, which earlier needed a second worker. The supporting device allows her to work on two handsets at a time, and shortens the assembling time from 7.5 to six seconds. It takes six seconds at Rajni's stage. The timings may be different for other stages. In a number-intensive manufacturing process, that is critical.

Samsung's competitor LG Electronics India has 'thinking' rooms called Shunya and Anant at its offices in Noida and Pune. All teams are expected to brainstorm there once a month. "The room has an artificial waterfall, mood lighting and other relaxation tools like games and music which enable employees to think differently. New ideas are captured, and some products from our India Insight stable have stemmed from these sessions," says Umesh Dhal, Vice President, HR and Management Support at LG Electronics India.

Sapient

Internal networking platform (Vox) to answer queries and facilitate interactions among employees

The pressure to generate ideas is much more intense in the creative segments, whose very existence depends on providing innovative insights to clients. To manage the intensity of demand, digital advertising, marketing and technology services firm Sapient Nitro relies on social networking with a difference. It uses Vox for internal social networking, where employees can ideate, share and interact. "Like Facebook, the platform includes special forums and groups which enable engineers and technical professionals to post and resolve queries," says Anand Bhaskar, Vice President, People Success at Sapient India. For instance, Vox has a group on Hybris, a software solution for e-commerce, with over 100 members. "The group was created when we started getting a lot of Hybris projects last year," says Abhimanyu Kapoor, Manager, Programme Management at Sapient Nitro. "Employees working on Hybris projects for different clients can interact in real time. Often, the solutions to problems are posted within hours."

Elsewhere, at Viacom 18, Abhinav Chopra, Vice President, HR and Administration, says ideation is not constrained by hierarchy. "We try to create an environment where innovation multiplies," he says. Sujoy Bardhan, Assistant Manager, Marketing, and Mitali Desai, Senior Manager, Consumer Products at

Nickelodeon (a group company of Viacom 18), who were part of one such workshop this year, feel it was immensely valuable. Bardhan recalls how one such interaction led him to a new idea. "An employee from the scheduling team told us how his child and his friends wrote a letter to the apartment society they stayed in after they were prevented from playing. They got other children to sign the letter. That gave us the idea for the 'Let's Just Play' campaign," says Bardhan. The campaign, an annual feature, encourages children to play through on-ground events. The Let's Just Play campaign will include the idea of children writing petitions to teachers, parents and friends in September this year. "Through such initiatives, we get various inputs. The marketing team tells us how to project a product, the sales people advise us on above-the-line campaigns, the creative team tells us what the TV commercial should be like," says Desai. She handled a stationery project with Nickelodeon's Dora and Sponge Bob characters for Ballarpur Industries this year, and roped in the sales and marketing teams which even created two above-the-line commercials.

These measures that require employees to think out-of-the-box also need the support of a process which can institutionalise the new practices. With fierce competition in the consumer durables segment, Whirlpool has formulated a process to capture such ideas from different teams that will eventually add to the bottomline.

Whirlpool

i-mentor programme to train mentors who further guide teams; SMART initiative; Parivartan programme for blue-collar employees

In June, the company conducted a first-of-its-kind i-mentor programme to train people in partnership with external consultants. The programme conducted in Shanghai trained 36 cross-functional employees from Asia, including 13 from India, to facilitate what the organisation calls the 'toll gate' process. "The toll gate process is able to record all the ideas in a disciplined manner at every stage," says Anil Garg, Vice President, HR, Asia, at Whirlpool.

In the next step, the i-mentors get to work. "An idea should have commercial viability and it should improve an existing process. The mentors ask questions that get tougher at every level," says Garg. The company also has a 'customer growth centricity' process, in which employees work alongside trade partners in selling some of their products to customers, to bring back consumer insights. "We also have SMART (save money and reap tomorrow), a programme aimed at creating a frugal mindset. Innovation is driven by costs, and the emphasis is on generating ideas that control costs," adds Garg. Blue-collar employees are recognised through Parivar-tan, an ideation platform where they are encouraged to improve product quality and reduce costs.

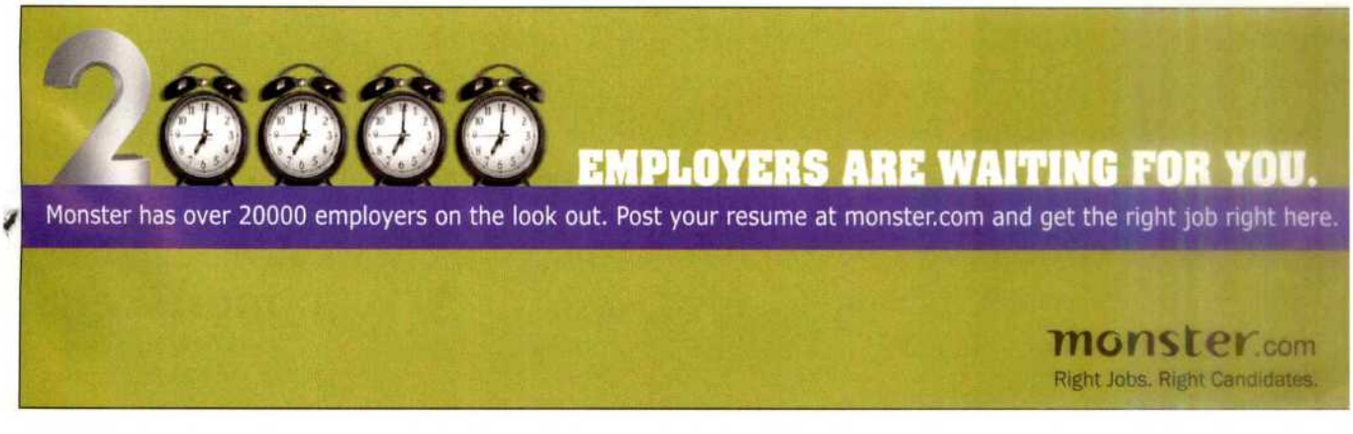
Dabur

Cross-functional initiatives, internal social networking platforms, awards like Eureka, Applause and Trailblazer and Spot to recognise talent

To incentivise people to think differently, Viacom 18 has put in place the Red Ant Awards, starting this July. Employees will be able to appreciate and reward one another through 'Red Ant Cards'. The cards can be redeemed for gifts and vouchers. The idea is to encourage exchange and facilitation of ideas through initiatives like movie screenings and cross-functional brainstorming sessions.

Dabur, too, believes that it is important to evangelise ideation. It has awards and initiatives like Spot, Eureka and Trailblazer to spur and recognise creative thinking. "The awards are publicised to enable employees to think differently," says Sudhakar. As a result, the outcomes become more structured and refined.

Such initiatives are expected to become the norm. Venkat Iyer, a partner at Aventus Partners, sums up: "Companies whose existence depends on innovation tend to be more nimble with such processes as opposed to those which are structured, bureaucratic and hierarchical. Even within the innovation domain, we see such policies increasingly gaining momentum." ◆



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Lanco Group
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Description: To manage material purchas contracts and stores for the uni Implementation of corporate policies relat to contracts and materials. Ensure lowest cc of procurement and work contracts.

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Accounts Payable Manager
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Job ID: 9836415
Description: Responsible for supervising accounting personnel in performance of accounts payable and related support functions.

CIBER INC
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Location: Bangalore
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AGM External Brand
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Job ID: 9733463
Description: Extensive knowledge in t media, design and advertising space. Goc communication skills. Adheres to time lines.

Newell Rubbermaid
Finance Manager
Location: Chennai
Job ID: 9582074
Description: Provide overall cost accounting and manage responsibilities for plant & distribution center; lead Finance/Accounting professional team, driving the implementation of cycle counting for warehouse storage, team.

JSW Steel Limited
Deputy General Manager
Location: Mumbai
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Description: Duties: Drafting and vetting o Lease deeds, Leave and License agreement Power of Attorney, Sale/Purchase agreemen various type of Bond including Indemnit Bond etc.

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ValueLabs
.Net Developer
Location: Hyderabad
Job ID: 9810010
Description: Looking for Dotnet Developer/Dotnet developer 4.0 frame work with experience 4+ yrs and Silverlight skills are mandatory.

Oracle
Oracle Apps SCM Functional Consultant
Location: Bangalore, Hyderabad
Job ID: 9941473
Description: Candidate should have at least 4 yrs of experience in oracle apps SCM functional consultant. He / She should have worked on atleast 1 end to end implementation project.

Amazon Development Centre India Private Limited
Sr Software Development Manager
Location: Chennai
Job ID: 9942965
Description: Aspirant must have experience with Object oriented design and development, C/C++/Java, SQL, OOP, Perl, distributed systems/service-oriented architecture desired, relational databases essential.

UST Global
Java Developer
Location: Hyderabad
Job ID: 10014376
Description: Needed Java and Java Server Faces (JSF), Web sphere- Process server, Aqua Logic, Rational Application Developer, WAS project Migration experience.

JDA Software
TSM (Tivoli Storage Manager) Backup Admin
Location: Bangalore, Hyderabad
Job ID: 10011756
Description: Responsible for Enterprise backup and recovery of data primarily using IBM Tivoli Storage Manager (TSM) software and also other tools.

Robert Bosch Engineering and Business Solutions Limited
Architects
Location: Bangalore
Job ID: 10011514
Description: Person must have good understanding of the core features of .Net such as UI frameworks (WinForms, WPF(desirable)), Events and delegates, Generics, Threading, Reflection, XML.

Fiserv India Pvt Ltd
Asp.Net
Location: Pune
Job ID: 9220049
Description: Design, Develop, test and distribute modifications of the Aperio & Voyager products. Participate in the processes of integrating and maintaining custom code.

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Cyber Futuristics India Private Limited
Sr. Executive - Business Development
Location: Delhi, Noida
Job ID: 9508292
Description: Responsible for identifying prioritizing and developing new busines –Hosting Services, Dedicated Services, Dat Center Services.

ABB Limited
Business Development Manager
Location: Faridabad
Job ID: 9934673
Description: Acquiring projects for increasing business of organization with better profit margins, in compliance to Business Policies.

CRY-Child Rights and You
Business Development Manager
Location: Bangalore, Mumbai
Job ID: 10006186
Description: Responsible for trend analy and donor segmentation; Identifyi appropriate communication channels a associated content for donor communicati across varied donor segments defined.

TIBCO Software India Private Limited
Presales Consultant
Location: Pune
Job ID: 9896234
Description: Minimum of 8 years of experience in sales/business development and working with partners.

Nous Infosystems
Executive-Presales
Location: Bangalore
Job ID: 9155330
Description: The ideal candidate should be experienced Presales Support Specialist wi strong customer facing skills.

WNS Global Services Pvt. Ltd.
Telesales Executive
Location: Bangalore
Job ID: 9981975
Description: Looking for graduates Telesales Executive with excellent communication skills, zeal for customer service and desire to excel.

Religare Technova IT Services Ltd
Sales Exec/ Sales Representative
Location: Delhi, Mumbai
Job ID: 10003483
Description: Duties: End to End Sales corporate; Identifying new leads for reven growth and developing sales by meeti Dermatologist and plastic surgeon promoti of medical products and selling to Doctors a hospitals.

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Assistant Manager-Cost Accounts
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Job ID: 9982021
Description: This role involves heading cost accounts for one division. Preparation of various cost sheets. Budgeting and variance calculation.MIS Reporting.

CedarCrestone Software India Pvt Ltd
Executive - Accounts
Location: Hyderabad
Job ID: 9937331
Description: Candidate must have exp. In General Accounting including Monthly & Annual close. Awareness of TDS and other general statutory compliance, cost evaluation, Accounts Payable.

PwC Service Delivery Center
Senior Manager/Manager
Location: Kolkata
Job ID: 9854365
Description: Chartered Accountant with 10+ year's experience. Prior experience in Big Four accounting firm for minimum 4 years.

GlobeOp Financial Services, LLC
Chartered Accountant (CPA)
Location: Mumbai
Job ID: 9874514
Description: Duties: Assisting and reviewing Month End NAV statements; Production of daily P&L for our clients following Globeop procedures and focusing on price variances etc.

Syntel Inc
Sr. Financial Analyst
Location: Pune
Job ID: 9952291
Description: The candidate shoul good exposure to the financial m JDE/JD-Edwards.

UnitedHealth Group
Senior Executive - Account Manager
Location: Mumbai
Job ID: 10037499
Description: Candidate must have I degree in Business Admin, Hospita Health Management, Hotel and H Management or equivalent.

Financial Software & Systems Limited
Treasury Manager
Location: Chennai
Job ID: 9902836
Description: Job responsibility: Un manage, and supervise all aspects of Forecast daily cash requirements an daily financing decisions. Manage all a investment.

Capgemini Business Services (Ind
F & A manager
Location: Bangalore
Job ID: 10007837
Description: Person should have wo & A domain like AP , AR & GL (P2 R2R) predominately; should have team of 80 to 100 members.

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Sterling Example

Control is not leadership. **ASHOK C. BURMAN** will always be remembered as the first corporate leader in India who dared to make himself redundant in his own organisation, and, in turn, inculcated in the 125-year-old Dabur India the spirit of corporate governance. In 1997, he asked consultancy firm McKinsey to define a roadmap for the ₹45-crore Dabur in which the family would move out of all active management roles, leaving these entirely to professionals. "That was my toughest decision," he told this correspondent – the last mediaperson to meet the 81-year-old patriarch who passed away on July 9. "But the reason we are different is that the family has stayed together."

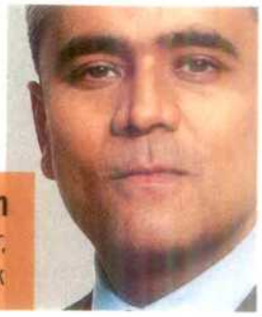
At that last meeting, the Chairman Emeritus of Dabur took a trip down memory lane. He recalled how insignificant he had felt after migrating to Delhi from Kolkata in 1972. "When you are in a small place and successful, there is little to prod you further. Our move to Delhi exposed us to different ways of doing things," he said. He joined the family firm in 1948 at the age of 18 and became a director two years later. In 1985, he became the chairman – the guiding force behind the fastest-growing consumer goods conglomerate in India. Looking back, however, he regretted not having devoted sufficient time to his education. "I married when I was very young and got involved with the company. But I am proud that my brothers had better exposure to education and the world," he said.

In his last days, Burman was confined to a wheelchair but remained keenly interested in the developments of the company. He often had old-timers, including Group Director P.D. Narang, call him to give him updates. These discussions would give him enough fodder to quiz his son Anand Burman, the current chairman. He revolutionised packaging techniques at the company in 1952 and later, as early as 1956, computerised the sales division. Peter Drucker could have been referring to this humble patriarch, when he said: "Management is doing things right; leadership is doing the right things."

SHAMNI PANDE

More on Ashok Burman at
www.businesstoday.in/burman

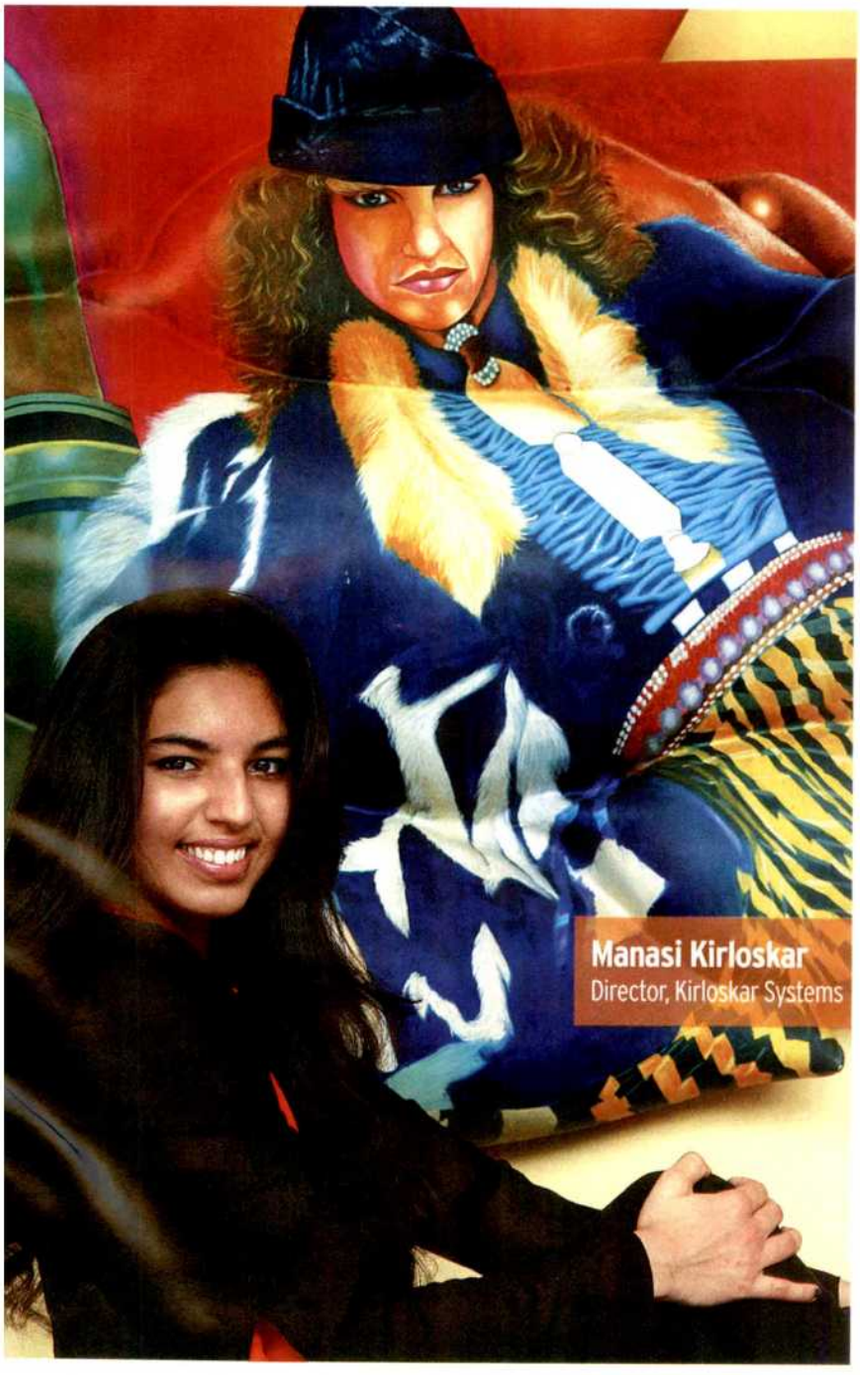
No Language Barrier



Anshu Jain
Board Member,
Deutsche Bank

ANSHU JAIN is tipped to be CEO Josef Ackermann's successor at Germany's Deutsche Bank. While his investment banking record is unblemished, Jain's inability to speak fluent German had raised concerns about his suitability for the job among sections of the bank management. But Jain seems to have won the confidence of the skeptics, and is likely to co-head the bank with his board colleague Jürgen Fitschen. Will this result in more Germans taking to cricket? Jain, after all, was a co-owner of Mumbai Indians till 2010.

KUSHAN MITRA



Manasi Kirloskar
Director, Kirloskar Systems

Painter on the Board

MANASI KIRLOSKAR, 22, the only daughter of Bangalore's industrialist couple Vikram and Geetanjali Kirloskar, has made a quiet entry into the family business. In her senior year at the Rhode Island School of Design in the US, she is now also on the board of Kirloskar Systems. The family's business interests include medical equipment, financial services and real estate. Manasi hopes to learn the ropes on her visits to her home town before taking up a more definitive role. She is also a trained painter. In her free time, she teaches art to underprivileged school children, imparting such skills as painting on T-shirts or making masks. She then raises funds for them by showcasing and selling their work. She champions community service and has come up with a model to help schools go about it systematically. "Community service should be made a part of the high-school curriculum so that privileged students realise that there are many disadvantaged children out there," she says.

K.R. BALASUBRAMANYAM

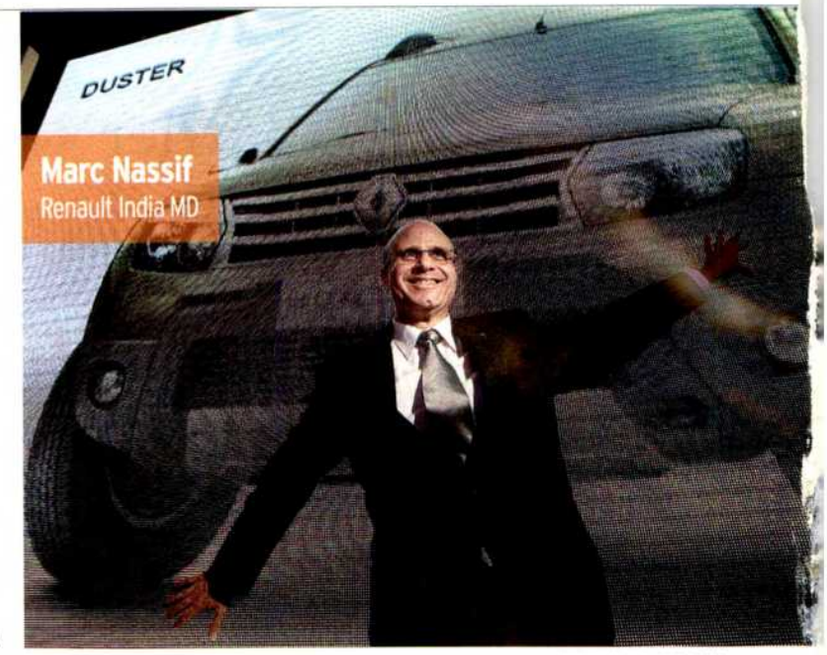
DEEPAK G. PAWAR / WWW.INDIATODAYIMAGES.COM

CALCUTTA CENTRAL

Changing Lanes

With rumours of an impending split between Bajaj Auto and the French car giant Renault following differences over their small car project gaining ground, Renault India Managing Director **MARC NASSIF** was bombarded with questions by the media at an event. Nassif, desperately dodged salvo after salvo, but eventually blurted out that Renault and Bajaj were not driving down the same lane. But Renault has plans to roll out a small car in India from its own stable in 2012.

KUSHAN MITRA



Marc Nassif
Renault India MD

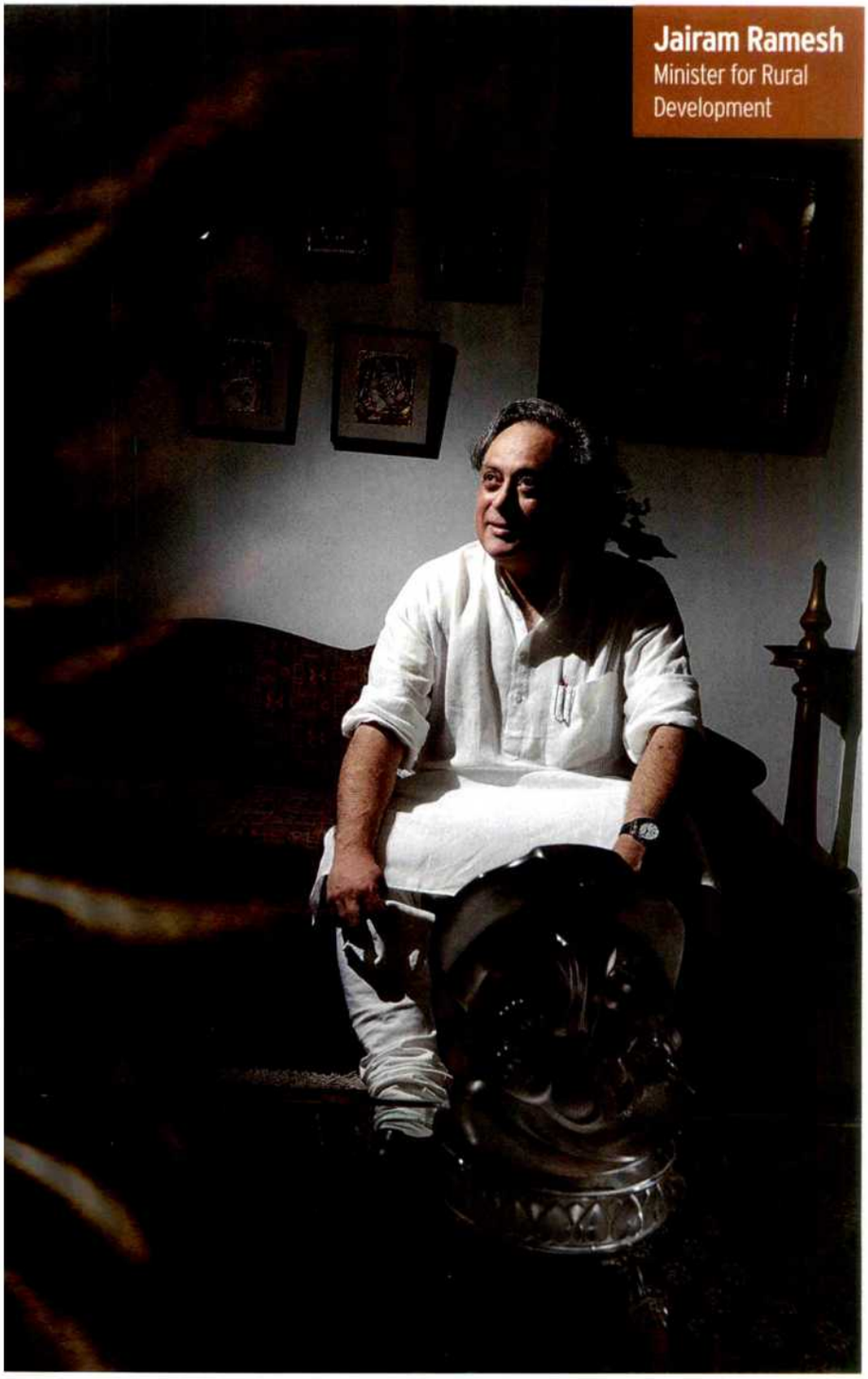
SHEKHAR GHOSH

Lady Gaga
Pop Sensation

Soon in India

Stefani Joanne Angelina Germanotta is due to visit India. Does it sound as good as the news of **LADY GAGA**'s upcoming India tour? No, certainly not. But it is the same thing, for that is Lady Gaga's real name. The most successful singer of the last decade (sorry Justin Bieber fans), who has sold close to 20 million albums worldwide, has tweeted that she will be performing in India this October. This most successful entertainer of our times is also a smart businesswoman. Bollywood starlets better watch out!

KUSHAN MITRA



Jairam Ramesh
Minister for Rural Development

Power to You

JAIRAM RAMESH, green crusader and industry's most-hated UPA minister, must have done something right. He becomes more powerful after the Cabinet reshuffle on July 12. Elevated to Cabinet rank, 57-year-old Ramesh will now be in-charge of the *aam aadmi* portfolio – the Ministry of Rural Development. This alumnus of the Indian Institute of Technology, Bombay, and the Massachusetts Institute of Technology, US, reached his new office at 9.45 am on his first day, ahead of the rest of the staff. Close to the Gandhis, the Rajya Sabha member from Andhra Pradesh had prepared the UPA's 100-day agenda after the 2009 general elections. In his new role, the minister gets to monitor the flagship MGNREGS and pilot the crucial Land Acquisition Bill, which is high on the Congress's priorities. On a couple of occasions as the environment minister, he even got away with snubbing Singh. He probably knows how to do it the right way.

PUJA MEHRA

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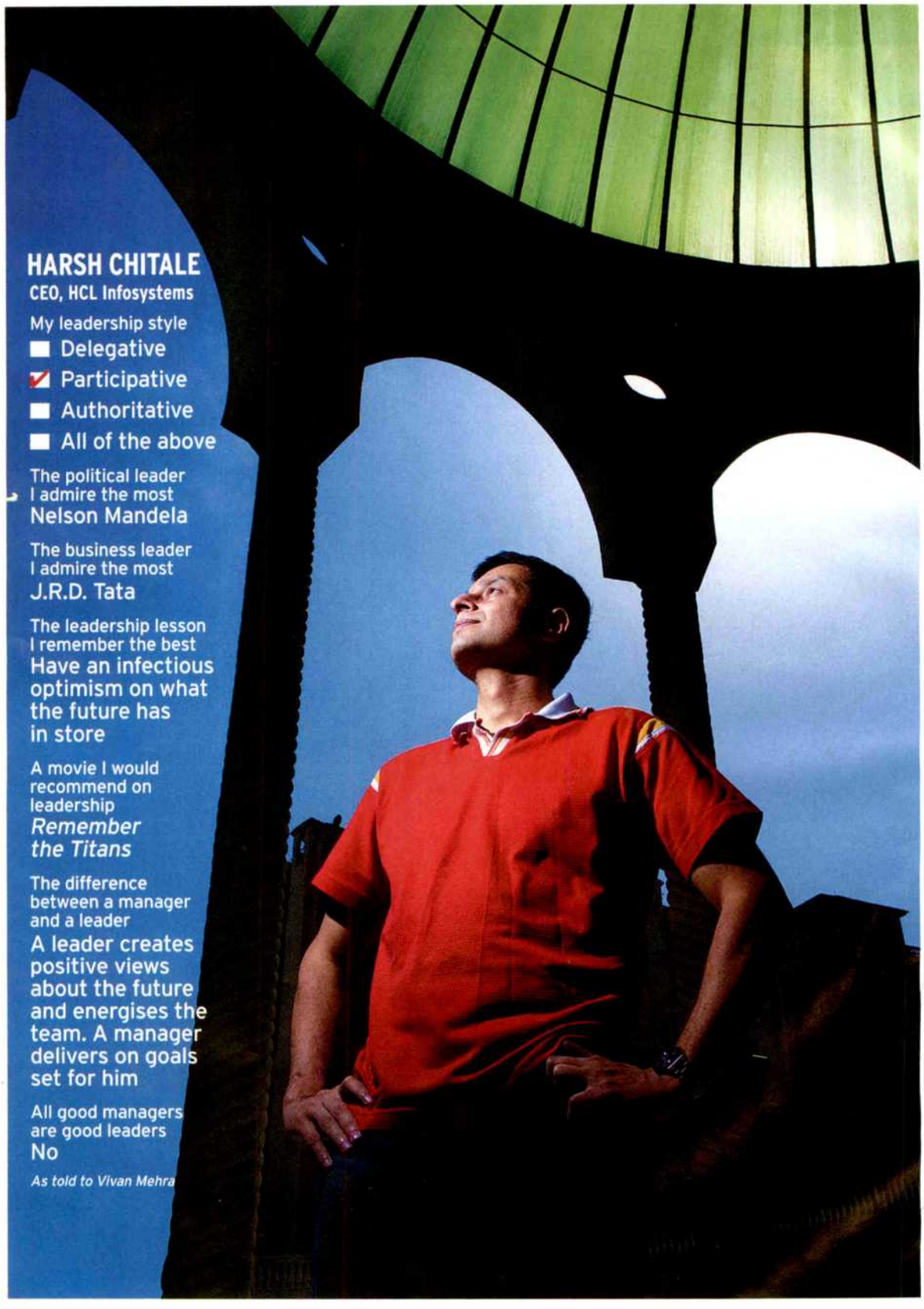

HARSH CHITALE

CEO, HCL Infosystems

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Nelson Mandela

The business leader I admire the most
J.R.D. Tata

The leadership lesson I remember the best
Have an infectious optimism on what the future has in store

A movie I would recommend on leadership
Remember the Titans

The difference between a manager and a leader
A leader creates positive views about the future and energises the team. A manager delivers on goals set for him

All good managers are good leaders
No

As told to Vivan Mehra

VIVAN MEHRA/www.indiatodayimages.com

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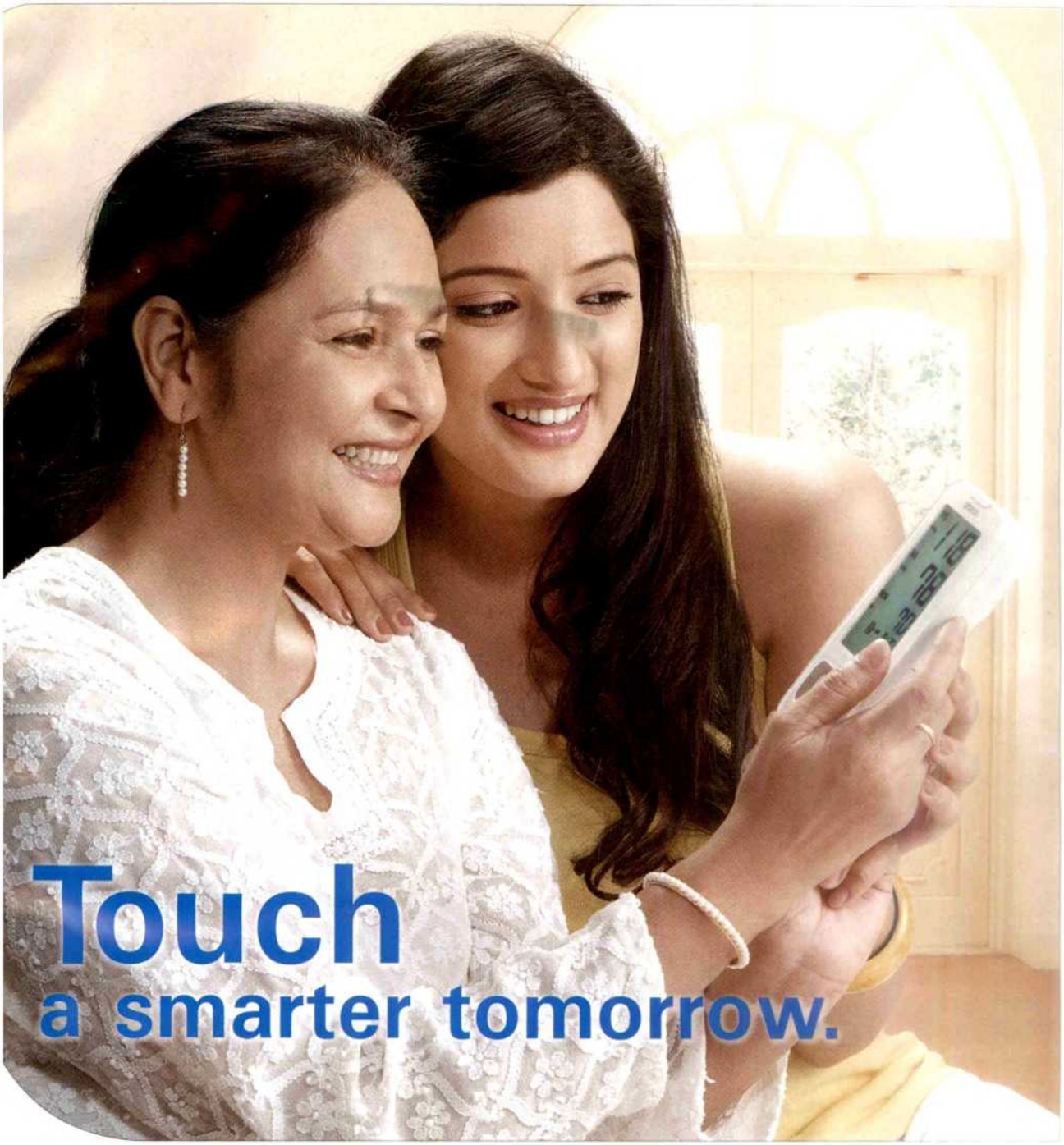

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